Mills, Biggs, Haire & Reisert, Inc.

Real Estate, Business, and Equipment Appraisals

Glasswork Condominiums

&

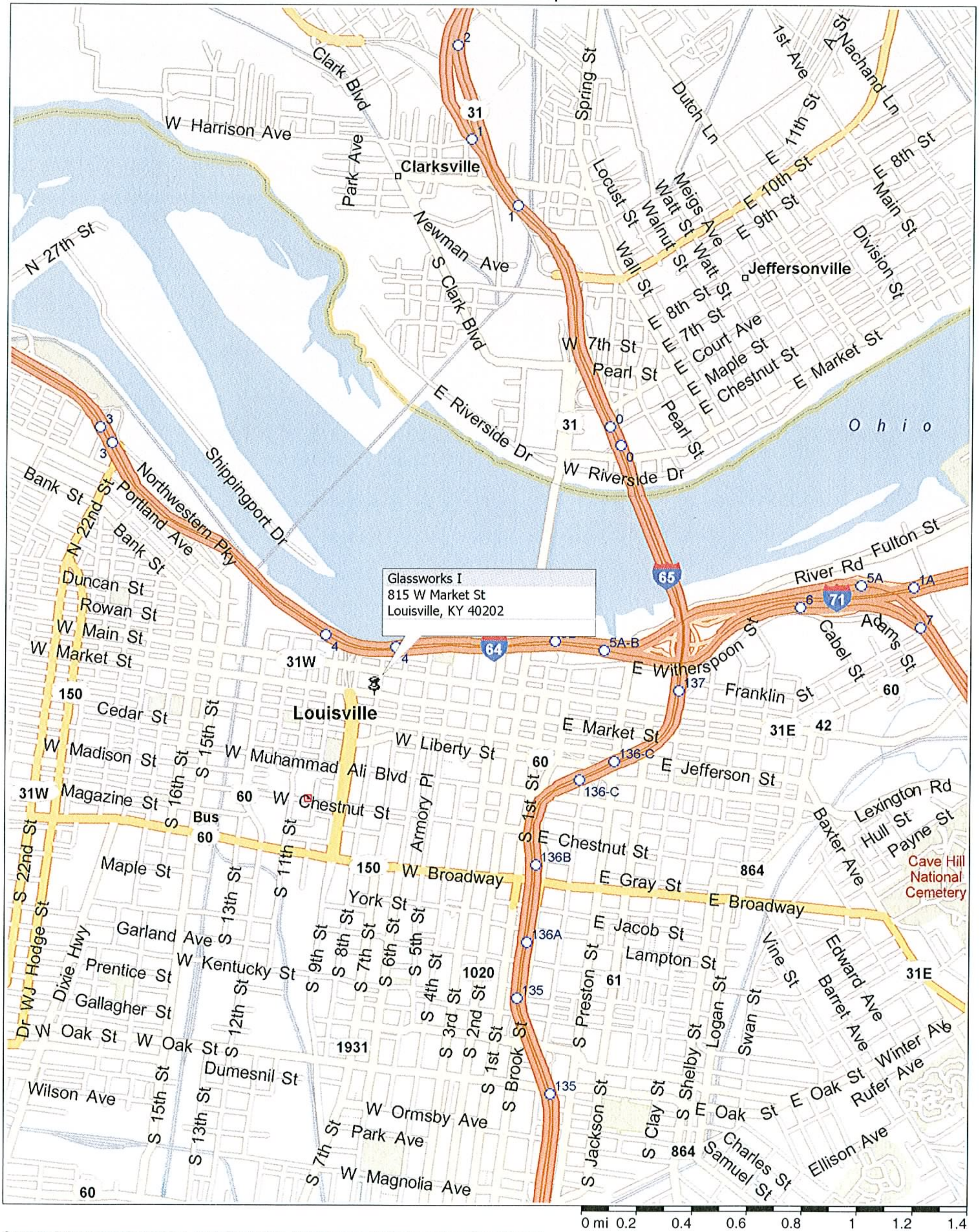
Valuation of Façade Easement (Preservation)

815 West Market Street

Louisville, Kentucky 40202

FRONT VIEW OF THE PROPERTY & FACADE

Location Map



SELF-CONTAINED
APPRAISAL REPORT

of

Glassworks Condominiums
&
Valuation of Façade Easement
(Preservation)
815 West Market Street
Louisville, Kentucky 40202

DATE OF VALUATION
"As Is{ PV of Future Benefits}
"Before Value"
September 17, 2007

"After Value"
{As If Encumbered by Façade Easement}
September 17, 2007

PREPARED BY

Mills, Biggs, Haire & Reisert, Inc.
Charles R. Mills Jr., MAI, SRA, ASA

PREPARED FOR

Mr. William Weyland
City Properties Group, LLC
Glassworks District
Louisville, Kentucky 40202

The special assumptions and limiting conditions that directly affect the value are:

1. Based on the highest and best use analysis, the property could add 4 additional stories and 32 additional residential condominium units. The structure can support this construction will support this **hypothetical** addition according to Mr. Weyland's engineer, Mohannad R Seraji, P. E., with Pyramid Consulting Structural/Civil Engineers, Inc., and the feasibility is based on our analysis.

2. Absorption and annual capture rates are mostly on the Louisville City Authority Survey of Market Rent Properties in the CBD, a copy of the Zimmerman/Volk Market Study supplied by the subject buyer completed in March 2006, and developers, selling agents and property owners; therefore, this data is assumed to be accurate and representative of the market.
3. The fee is in no way contingent upon the value findings of the facade easement. The fee arrangement was based on a quote prior to gaining the assignment.

Taking into account all the pertinent factors that affect value, the "As Is" unencumbered value of the subject property, before the acquisition, (existing 38 condominium units on 3 floors and 32 **hypothetical** units on 4 additional floors, and the remaining 5 stories and basement as of September 17, 2007, is:

*** * *FOURTEEN MILLION SIX HUNDRED THOUSAND DOLLARS * * ***
$14,600,000

Taking into account all the pertinent factors that affect value, the "As Is" encumbered value of the subject property, after the acquisition, (existing 38 condominium units on three floors, and the remaining five stories and basement as of September 17, 2007, is:

*** * *THIRTEEN MILLION THREE HUNDRED THOUSAND DOLLARS * * ***
$13,300,000

VALUE OF FAÇADE EASEMENT

Taking into account all the pertinent factors that affect value, the "As Is" encumbered value of the Façade Easement for the property at the highest and best use (hypothetical addition of 32 units to the exiting building and associated costs), as of September 17, 2007, is:

*** * *ONE MILLION THREE HUNDRED THOUSAND DOLLARS * * ***
$1,300,000

Respectfully Submitted,

Charles R. Mills Jr., MAI, SRA, ASA
Kentucky Certified General Appraiser #CG000663

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INTRODUCTION

CERTIFICATION

This signed Certification is for the **Self-Contained Appraisal Report** for Glassworks Building Glasswork Building "As Is" and "As Hypothetical" retail, office and residential condominiums, 815 West Market Street, Louisville, Kentucky 40202. The undersigned do hereby certify that to the best of our knowledge and belief:

1. The statements of facts contained in this appraisal report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
8. The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by their duly authorized representatives and the American Society of Appraisers relating to review by their duly authorized representatives.
9. Charles R. Mills, Jr. has made a personal inspection of the property that is the subject of this appraisal report
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. As of the date of this report, Charles R. Mills, Jr., MAI, SRA, ASA has completed the continuing education program of the Appraisal Institute and the American Society of Appraisers.

Charlie R. Mills Jr., MAI, SRA, ASA Date: September 17, 2007
Kentucky Certified General Appraiser #CG000663

SUMMARY OF FACTS AND CONCLUSIONS

PROPERTY TYPE...	Retail, Office and Residential Condominiums
PROPERTY NAME...	Louisville Glassworks I
PROPERTY LOCATION...	815-829 W. Market Street Louisville, Kentucky
TOTAL LAND AREA...	30,630 square feet (0.70+- Acres)
LEGAL DESCRIPTION...	Parcel ID Numbers 014D00950000 & 014D02380000 in the Jefferson County PVA office.
TYPE OF IMPROVEMENTS...	Top 3 floors existing and 4 Hypothetical floors in an existing eight-story (1905, addition and Renovation 2002) containing 145,702 gross square feet and **hypothetical** twelve-story mixed-use building containing 214,012 gross square feet with a 15,763 square foot basement, not included. The construction is poured concrete frame forming rectangles with brick and block curtain wall and the Hypothetical structure is steel frame on the concrete piers with similar exterior as to emulate the existing façade.
PROPERTY RIGHTS APPRAISED...	Fee Simple Estates Interest
ZONING CLASSIFICATION...	C-3, Commercial District
HIGHEST AND BEST USE AS VACANT...	Commercial
HIGHEST AND BEST USE AS IMPROVED...	Five floors of office and retail with seven floors Residential Condominiums (3 floors existing & 4 additional floors Hypothetical)
EFFECTIVE DATE OF VALUATION...	September 17, 2007

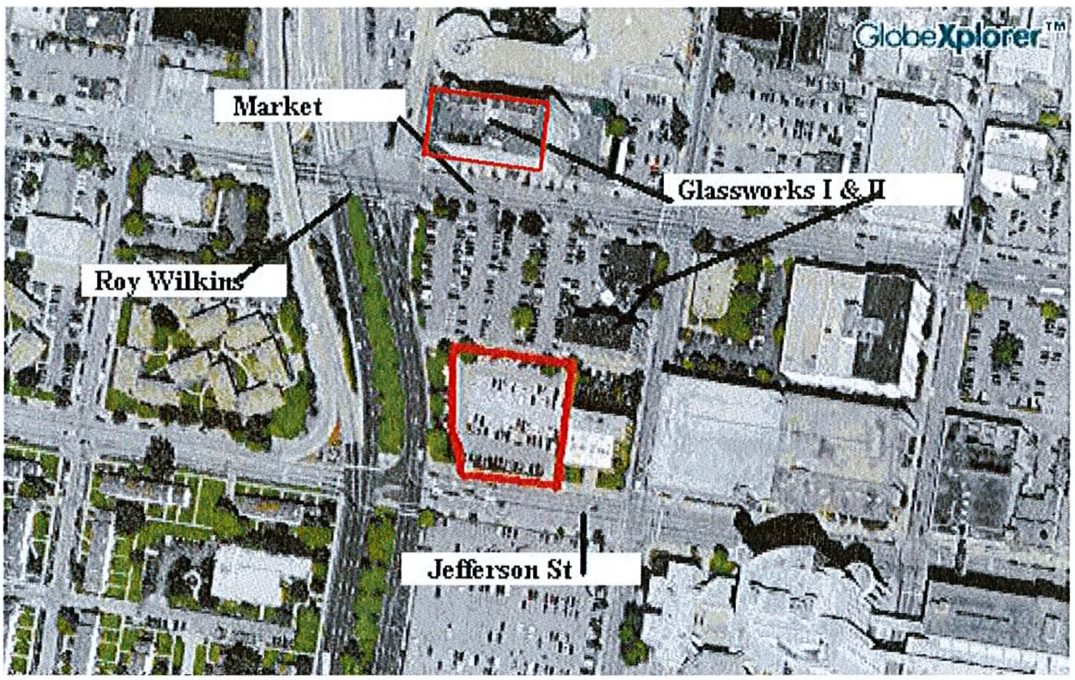
INDICATED VALUES...	**Before Easement "As Is" Value**	**After Easement "As Is" Value**
Cost Approach	Not Applicable	Not Applicable
Sales Comparison Approach	$14,600,000	$13,400,000
Income Capitalization Approach	$14,600,000	$13,300,000
Final Value Estimate	$14,600,000	$13,300,000
Value of Façade Easement		$ 1,300,000

INTRODUCTION

The subject property is located at Roy Wilkins and Jefferson Streets and situated in the west boundary of the Louisville, Kentucky (Metro Louisville) central business district (CBD). The subject will be called Louisville Glassworks Lofts II, LLC. The subject site previously was the Interchange Building and is currently being used as a parking lot for the Jefferson County Sherriff. The subject is Hypothetical construction of a Mixed-Use

The site is shown below.

View of Subject site showing the CBD



The Central Business District of Louisville has been and is currently under redevelopment with a mix-use of residential, condominiums, office, retail, hotel, institutional and entertainment. Since the approval of the Economic Improvement Plan (EIP) and annual budget for the Louisville Downtown Management District by the City of Louisville Board of Aldermen, many historical buildings have gone through extensive restoration and renovations through private and public investment and developmental efforts with some having transitional use to commercial office, retail and residential condominium use (i.e. YWCA, Glassworks I & II, Lofts of Broadway, and Glassworks Common I). The CBD neighborhood continues to provide a strong commercial market, especially for financial and governmental users, tourism and convention business. This area has been designated as part of the Enterprise Zone established by the Louisville/Jefferson County Office for Economic Development to revitalize the area and create jobs through special state and local tax incentives and regulatory relief for new or expanding businesses.

As evidenced later in this report, there has been a strong demand and increasing supply for multi-family residential condominium and "loft" dwelling units and or-rent units located in the CBD area. This is partly due to the increase in urbanites, young professionals and office workers, who would prefer downtown living with employment and cultural diversity as well as restaurants, night clubs/entertainment and retail/artisans. Based on recent market data, many adaptive re-use developments have been successful selling units prior to construction or during the development. The subject's Hypothetical units should be very acceptable in the market considering the quality of construction, amenities and location, and the development should capture its fair share and sell-out within a 12-month period. The photograph below shows the construction detail and reproduced windows to match the existing construction.

Front View Showing Existing Facade

REGULATION COMPLIANCE

This report is an effort to comply with the appraisal standards of and the criteria of those specified in the 2006 Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, as augmented by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS). In addition, this appraisal has been prepared in compliance with **Internal Revenue Code** of 1986, as amended, Section 170(h) (U.S.C S 170(h)) including the Pension Protection Act of 2006, Pub. L. No. 109-280, 120 Stat. 780 (2006).

PREMISES OF THE APPRAISAL

ASSUMPTIONS AND LIMITING CONDITIONS

The accompanying is a **Self-Contained Appraisal Report** for Glasswork Building "As Is" and "As Proposed" retail, office and residential condominiums, 815 West Market Street, Louisville, Kentucky 40202. The assumptions and limiting conditions that affect the analyses, opinions, and conclusions are:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters legal or engineering in nature unless otherwise noted. Information provided by the client is assumed to be accurate.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The accompanying appraisal report is to be used as a whole and no part to be taken as a fraction thereof.
5. Responsible ownership and competent property management are assumed.
6. The information obtained by others is believed to be reliable, but no warranty is given for its accuracy.
7. Any distribution of the valuation of this appraisal report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal or report and are invalid if so used
8. The acreage indicated in the legal description is solely for the purpose of identifying the said tracts and should not be construed as insuring the quantity of land.
9. It is assumed that there are no hidden or unapparent conditions of property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
10. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance stated, described, and considered in the appraisal report.
11. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
12. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
13. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. No responsibility is taken for unrecorded covenants or restrictions that may affect the value of the property.

14. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, were not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
15. We, by reason of the appraisal, are not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of Mills, Biggs, Haire & Reisert, Inc. (MBHR).
17. The Americans with Disability Act (ADA) became effective December 126, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser had no direct evidence relating to this issue, the appraiser did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS:

1. Based on the highest and best use analysis, the property could add 4 additional stories and 32 additional residential condominium units. The structure can support this construction will support this addition according to Mr. Weyland's engineer, Mohannad R Seraji, P. E., with Pyramid Consulting Structural/Civil Engineers, Inc., and the feasibility is based on our analysis.

2. Absorption and annual capture rates are mostly on the Louisville City Authority Survey of Market Rent Properties in the CBD, a copy of the Zimmerman/Volk Market Study supplied by the subject buyer completed in March 2006, and developers, selling agents and property owners; therefore, this data is assumed to be accurate and representative of the market.

3. The fee is in no way contingent upon the value findings of the facade easement. The fee arrangement was based on a quote prior to gaining the assignment.

REPORT FORMAT

As requested, we have prepared a **Summary Appraisal Report** format as defined by the 2006 Uniform Standards of Professional Appraisal Practice (USPAP). Exhibit "A" in the addenda is a copy of the letter of engagement.

PURPOSE AND USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the "as is" market value of the subject as of the effective date of valuations for Before and After the "Façade Easement" for the Glassworks building for Income Tax Credit in accordance with 2006 Uniform Standards of Professional Appraisal Practice (USPAP).). In addition, this appraisal has been prepared in compliance with **Internal Revenue Code** of 1986, as amended, Section 170(h) (U.S.C S 170(h)) including the Pension Protection Act of 2006, Pub. L. No. 109-280, 120 Stat. 780 (2006). The value determined for the subject also assumes a single purchaser on a cash equivalent basis and a reasonable marketing period.

INTENDED USE AND USER OF THE APPRAISAL

The intended user and client is Mr. William Weyland (will be sent to **Internal Revenue Service with façade easement**), to establish the "as is" and "as proposed" market value of the real estate and including the Facade Easement. Any other users are considered unintended.

DEFINITION OF MARKET VALUE

Market value is defined as:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.[1]

DATE OF VALUE ESTIMATE

The effective date of the "as is" valuation is September 17, 2007, and the date of the report is September 17, 2007

PROPERTY RIGHTS APPRAISED

The property rights being appraised are those of the fee simple estate, which is defined as:

> Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[2]

Easement (preservation or conservation): Partial interest in property that can be transferred to a nonprofit organization or governmental entity by gift or sale to ensure the protection of a historic resource and/or land area in perpetuity.

Facade Easement: Allows applicable foundation to control future alterations to the exterior of the historic building

The qualifications for an easement-holding organization are generally defined under state law. In addition, easements designed to qualify for the federal tax deduction must meet qualifications established by the federal tax code and regulations.

Generally conservation and preservation easements are held either by governmental entities (such as state historic preservation offices or local historic preservation commissions) or by nonprofit organizations that are committed to the conservation and/or preservation purposes of the easement. To qualify for federal tax benefits, easement-holding organizations must have the preservation of historic places as a part of their mission and must have the commitment and resources to enforce and monitor the easement. In fact, many easement-holding organizations have set aside easement endowments or stewardship funds that provide a designated source of

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[1] Office of Thrift Supervision, Department of the Treasury, Transmittal, Number 007, September 17, 1990, Implementation of Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA), p. 16.

[2] Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago, Illinois, 2002), p. 113.

funding to cover the obligations of the easement-holding organization. Easement-holding organizations should have either established funds or ongoing operational support to meet their stewardship obligations.

There are hundreds of easement-holding organizations and governmental entities across the country that accept and administer preservation easements. A few, like the National Trust for Historic Preservation, are national organizations; and some, like Historic New England, are regional. Most easement-holding organizations, however, operate at the state or local level.

Façade Easement Premise

The purpose of this summary is to review the potential financial benefits derived from the charitable donation of a facade easement to an organization that is exempt from tax under Internal Revenue Code Section 501(c)(3). A preservation easement is a legal agreement designed to protect a significant historic, archaeological, or cultural resource. In the case of a façade easement, the historic property owner is assured that the building's façade will be maintained, protected and preserved forever.

The deduction the taxpayer is entitled to be equal to the fair market value of the easement, which is generally the decrease in fair market value of the property caused by the **restrictions** placed on the property because of the easement.

The gift of a façade easement must be made for conservation purposes, such as the preservation of a certified historic structure and must be protected in perpetuity (forever). A certified historic structure is any building, structure or land area, which is either:

1. Listed in the National Register; or
2. Located in a registered historic district and certified by the Secretary of Interior as being of historic significance to the district.

A structure either is certified for purposes of this definition if it is certified at the time of the contribution or on the due date for filing the donor's tax return for the taxable year of the contribution.

Unlike property eligible for the rehabilitation tax credit, the conservation easement donation can be from a structure that is used for either business or non-business (i.e. personal residence). If the historic structure is not visible from a public way, the terms of the easement must permit regular viewing by the general public of the historic characteristics and features of the property, to the extent, such viewing is consistent with the nature and condition of the property.

A special rule applies for contributions of interests in real property subject to a mortgage. No charitable deduction is allowed unless the mortgagee agrees to subordinate its rights to the property to the right of the donee to enforce the conservation purposes in perpetuity.

Once fair market values have been determined, the same ratios are used to allocate the basis of the building and the underlying land to the façade easement for both rehabilitation tax credit and depreciation purposes. See Treasury Regulation 1.170A-14(h).

If an individual, personal service corporation, closely held corporation, partnership, or an S-corporation donates and claims a deduction for property valued in excess of $5,000, the taxpayer must obtain a qualified appraisal and attach a fully completed summary of the appraisal to the income tax return. If the donor is an S-corporation or partnership, it must provide a copy of the "appraisal summary" to each partner or shareholder that receives an allocation of the charitable contribution deduction.

The "appraisal summary" is a summary of a qualified appraisal that includes the following information:

1. The name and tax identification number of the donor.
2. A description of the property in sufficient detail.
3. A brief summary of the physical condition of the property.
4. An account of the manner of acquisition.
5. The cost or other basis of the property.
6. The name, address and tax identification number of the donee.
7. The date the donee received the property.
8. A statement explaining whether or not the contribution was made by means of a bargain sale and the amount of any consideration received from the donee for the contribution.
9. The name, address and identification number of the qualified appraiser.
10. The fair market value of the property on the date of the contribution.
11. A description of the fee arrangement between donor and the appraiser.

See Treasury Regulation 1.170A-13(c) for additional information relating to qualified appraisals.

When a façade easement is conveyed during the same year a qualified rehabilitated building is placed in service, the taxpayer would not be entitled to claim the portion of the rehabilitation tax credit attributable to the façade easement.

ESTIMATED MARKETING/EXPOSURE TIME

The estimated marketing time for the subject property is based on the most recent comparable sales data. Based on the most recent available data for similar properties in the competing market area, the indicated marketing period is six to twenty four months, with most in the range of twelve months. Similarly, the exposure time for the subject property is estimated to be six to twenty four months.

FINANCING CONSIDERATION

We assume financing for the subject property is available to a qualified borrower with terms of loan-to-value ratio of 70 to 80 percent and interest rates two to three hundred basis points above the ten-year Treasury rate, which was 4.77 percent at the date of the inspection. The other rate used as a basis is the London Interbank Offered Rate (LIBOR), which had a rate at the date of inspection of 5.69 percent. The quoted rates are 200 to 300 basis points above this rate.

SCOPE OF WORK

Mr. William Weyland, has authorized a **self-contained appraisal report** providing the estimated "as is" and "as proposed" market value of the real estate for possible sale and to estimated the amount of Federal Income Tax Credit for donation of a Façade (preservation) Easement to use as collateral for loan purposes. The report includes all pertinent sections in conformance with the 2006 Uniform Standards of Professional Appraisal Practice (USPAP) and the federal regulatory requirements as specified by the Board of Governors of the Federal Reserve System.

The scope is the type and extent of research and analysis in an assignment (USPAP).

The scope of work in this assignment includes the following:

- Inspection of property and area
- Review of the legal descriptions
- Economic analysis of the region
- Determine the competitive neighborhood and describe
- Study of maps, plats and public records
- Analysis of the History of Ownership
- Analysis of site and improvements
- Analysis of the highest and best use
- Determine interest (estate) to estimate value
- Confirmation and analysis of comparable land sales
- Confirmation and analysis of replacement cost (**used to estimate cost of addition**)
- Confirmation and analysis of Improved sales of comparable retail/office & Condo properties
- Confirmation and analysis of actual and comparable leases
- Confirmation and analysis of actual and comparable expenses
- Confirmation and analysis of Overall Capitalization and Discount Rates
- Analysis of value by the Cost, Sales Comparison, and Income Capitalization Approaches

- Estimate the value before and after the proposed Façade easement (**at highest and best use**)
- Reconcile the values by the approaches
- Report the value conclusions

USPAP dictates to use accepted techniques that produce a credible estimate of value and is not misleading. Based on use of appraisal and clients needs, we concluded (as our peers should) to estimate a credible value conclusion, the Sales Comparison Approach to estimate the "As Is" encumbered and unencumbered market value of the residential condominiums (**at highest and best use**). Considering the age and use, the Cost or Income Capitalization Approaches are not applicable and not completed for the condominiums. The Sales Comparison and Income Capitalization Approaches are used to value the retail and office sections of the property. The Cost Approach is not required for this section and is not completed. We agree these approaches are not necessary to produce a **credible** value conclusion that is **not misleading**. The data used in the **Cost, Sales Comparison and Income Capitalization Approaches**, was obtained from buyers, sellers, brokers, leasing agents, property managers, and other parties that may have been involved in the transactions. We assume the information received from these various sources is correct and representative of the actual transaction. The approaches derived value indications, which were then reconciled into a final estimate of value.

COMPETENCY PROVISION

The Appraisal Standards Board (ASB) adopted the Uniform Standards of Professional Appraisal Practice (USPAP) on January 30, 1989. USPAP requires that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed, and have the knowledge and experience to complete the assignment competently; or alternatively:

1. disclose the lack of knowledge and/or experience to the client before accepting the assignment;
2. take all steps necessary or appropriate to complete the assignment competently; and
3. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

Prior to accepting the assignment, we concluded that we have had the necessary appraisal experience and knowledge to competently complete the appraisal. During the completion of the assignment, we have discovered no areas requiring appraisal expertise in which we consider our experience lacking.

PRESENTATION OF DATA

IDENTIFICATION OF THE PROPERTY

The subject's mailing address is 815-829 West Jefferson Street, Louisville, Kentucky. The subject is legally described as 0.70 acres on the north side of Market at Roy Wilkins. The subject property is legally described in Deed Book 7418; Page 375, in the Jefferson County Clerk's office. The subject is identified as part of Block 14D, Lots 95 & 238, in the Jefferson County Property Valuation Administrator's office (PVA). Exhibit B in the addenda of this report contains a copy of the legal description of the tract.

A current title report for the subject property was not provided and the subject property is assumed to be encumbered by typical utility and a crossover parking garage easement. It is assumed that this is accurate.

HISTORY OF OWNERSHIP

The subject property is currently owned by William C. Weyland and was acquired from Dunn Holdings, LTD. The parcel was purchased in June 30, 1997, for $750,000. The property was then transferred to THR Louisville Glassworks Loft, LLC from Mr. Weyland on March 21, 2000 for $750,000. This first transfer was after 4 years of negotiating by Mr. Weyland. At that time, the corrections facility was to remain on the site across Market Street and this area was doomed to an unpopular user. Mr. Weyland, however, negotiated the sale of the jail property, the facility is gone, and the future of the subject has changed dramatically. Therefore, based on sales of similar renovation of historic properties, the subject purchase price is well below market value. This is true even at the time of the original sale. The second sale was a transfer to a LLC and is not considered arm's-length. We are unaware of any other sale agreements, options, or listings for the subject property. A summary of recent transactions follows in Figure 1.

Figure 1

Grantor	*Grantee*	*Date*	*DB/Page*	*Consideration*
Dunn Holdings, LTD	William C. Weyland	6/30/97	6903 x 862	$750,000
William C. Weyland	THR Louisville Glassworks Loft, LLC	3/21/00	7418 x 375	$750,000

The first two floors are leased to Louisville Glassworks for $3.86 per square foot completely "As Is" and net. The owner of Louisville Glassworks is one of the investors in the project. The second lease is to Presnell and Associates for floors 3, 4 and 5. The lease terms are somewhat vague and we assume the terms are at market rates on a gross basis. The finish is Industrial Loft Office, B+ space commanding rents at $14.50 per square feet. This will be used as rent for this lease. The final three-floors will be approximately 38 loft apartments that are now converted condominium that will be sold at $200 to $250 per square foot. The building and condominium association will convey the facade to a qualified foundation for a tax credit.

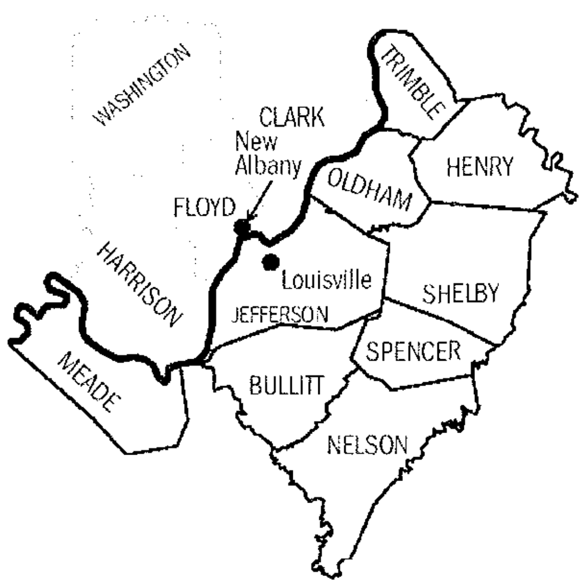
There has been no other transfer, sales contract or lease encumbering the subject in the past three years except the above mentioned.

AREA ANALYSIS

An economic area analysis has been completed. Details of the analysis are located on the following pages. In this analysis, historic and forecasted growth trends for the market area are conservatively addressed, based on an annual compounded percentage change to determine the economic climate in which the subject property will interact. The market acceptance of the product of both the surrounding area and the immediate neighborhood is an important consideration in the conclusions contained in the report. The purpose of the area and neighborhood analyses is to provide the background for the market conclusions. This analysis will focus on the demand side of the project market emphasizing population, household, employment, and income characteristics.

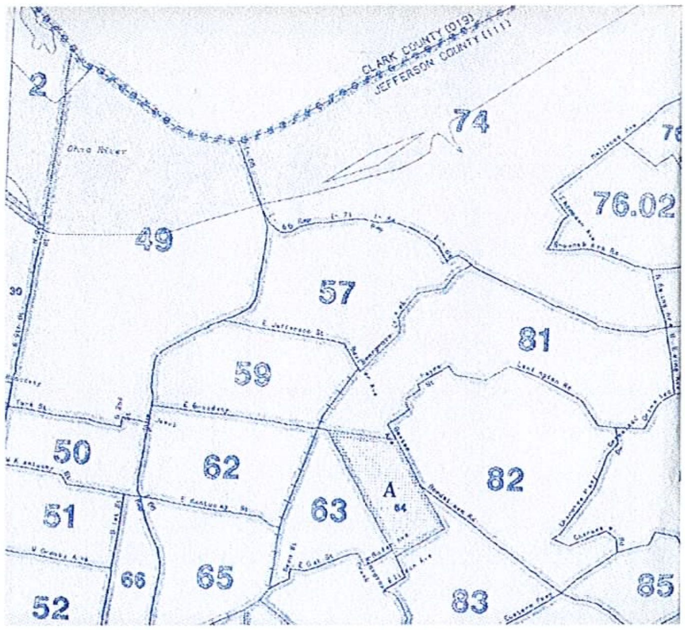
Jefferson County is part of the Louisville Metropolitan Statistical Area (MSA), which until 2003, included the contiguous counties of Oldham, Bullitt, and Jefferson in Kentucky; Clark, Floyd, Harrison, and Scott in Southern Indiana, and is included for comparison purposes. Now the MSA encompasses Clark, Floyd, Harrison and Washington Counties in Southern Indiana and Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer and Trimble Counties in Kentucky. Clark and Floyd Counties are located directly across the Ohio River from Downtown Louisville in the central portion of Southern Indiana. Louisville is the largest city and the county seat of Jefferson County. Figure 2 is the new MSA Map.

Figure 2



The subject property is located in Louisville, Kentucky, in Census Tract Number 0049.00 shown in Figure 3.

Figure 3



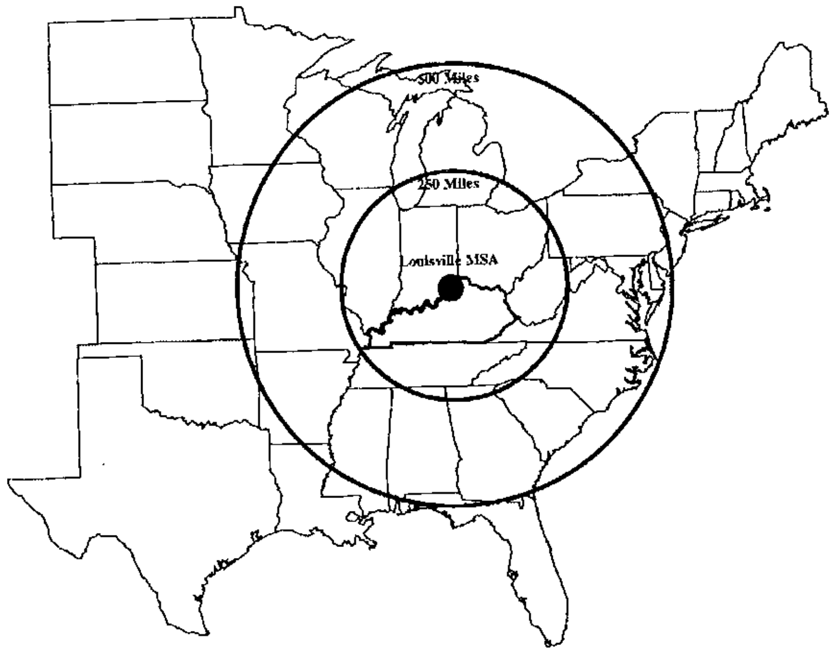
The subject is located in north central Jefferson County, situated in the center of a 21-state distribution area. Louisville is located at the northern edge of the Sunbelt along the Ohio River. Louisville, Kentucky, is the economic center of Kentucky and Southern Indiana. The 13-county MSA encompasses 3,200 square miles.

Historically, Louisville's central location and extensive transportation networks have been their assets. The area is within one-day's drive of over 50 percent of the nation's consumer markets and two-thirds of the nation's manufacturing employment. Furthermore, the Ohio River provides an excellent source of commercial transportation. Louisville, Jeffersonville and Clark County also have an excellent network of rail service with major carriers including CSX Transportation, Illinois Central Gulf Railway Company, Baltimore and Ohio Railroad, Milwaukee Railroad, Paducah and Louisville Railway, and the Seaboard System. A regional map can be found in Figure 4.

The primary airport serving metropolitan area is Louisville International Airport at Standiford Field, in Louisville, which features a main runway of approximately 10,000 feet, which has a north-south orientation, and an intersecting crosswind runway of approximately 7,250 feet, which is situated in an east-west configuration.

The area is served by I-65, I-64 and I-265. I-65 is a major north-south interstate highway. This interstate provides excellent access north to Indianapolis, Indiana (100 miles) and south to Nashville, Tennessee (180 miles). I-64 is a major east/west interstate connecting St. Louis to the west (250 miles) and Richmond, Virginia (400 miles) to the east. Commuter traffic is routed to the interstate along the beltway, I-265, which provides access for the suburbs and other parts of Southern Indiana.

Figure 4



Population

The historic data and future expectations relative to changes in population often reflect the economic climate of a metropolitan area. Figure 5 and Figure 6 (graph) illustrate the historic population trends for Jefferson County as compared to Louisville MSA and the State of Kentucky.

Figure 5

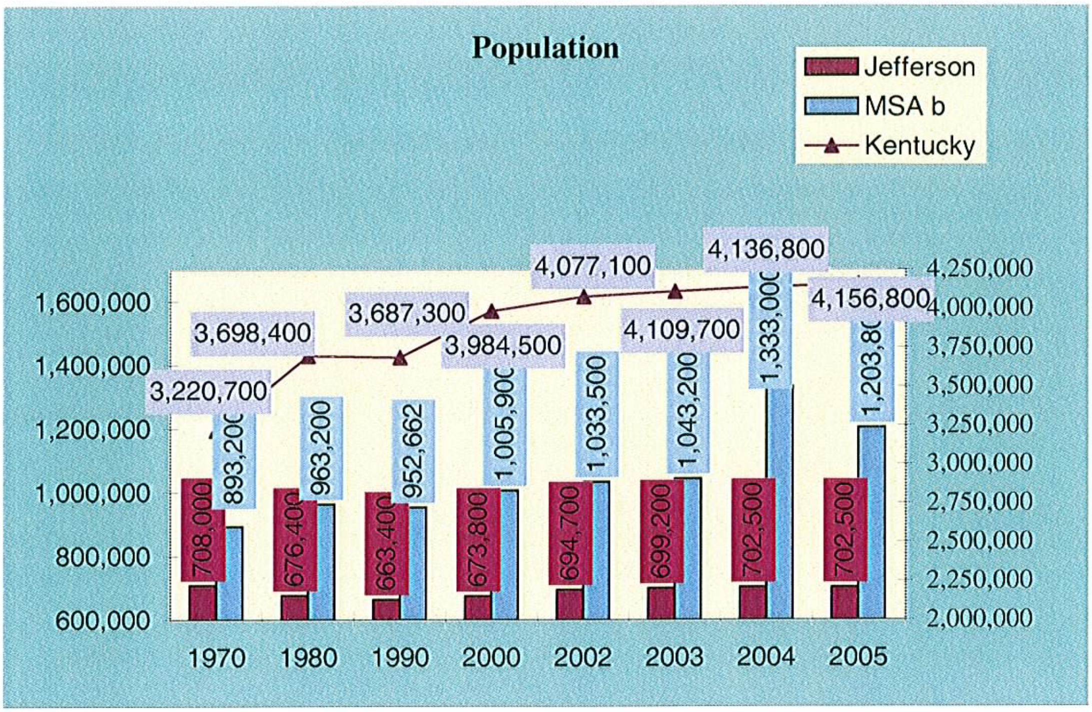
Historic Population Trends For Jefferson County, Louisville MSA and State of Kentucky 1970 to 2005

Year	Jefferson Cnty, KY	Annual % Change a	MSA b	Annual % Change	State of Kentucky	Annual % Change
1970	708,000	---	893,200	---	3,220,700	---
1980	676,400	-0.46%	963,200	0.76%	3,698,400	1.39%
1990	663,400	-0.19%	952,662	-0.11%	3,687,300	-0.03%
2000	673,800	0.16%	1,005,900	0.55%	3,984,500	0.78%
2002	694,700	1.54%	1,033,500	1.36%	4,077,100	1.16%
2003	699,200	0.65%	1,043,200	0.94%	4,109,700	0.80%
2004	702,500	1.12%	1,333,000	28.98%	4,136,800	1.46%
2005	702,500	0.47%	1,203,800	15.39%	4,156,800	1.15%
70-05		**-0.02%**		**0.86%**		**0.73%**

a Annual compounded percentage change from previous year
b Shelby was dropped in 1990, but Henry, Meade, Nelson, Shelby, Spencer and Trimble were added in 2002 in Kentucky. Clark, Floyd, Harrison and Washington in Indiana, Washington was added in 2003 and Scott was dropped..
Source:IU Business School & U.S. Census Bureau

The MSA's greatest growth occurred in the mid 1970's, which more or less coincided with the high inflation of those years. This resulted in large industrial expansions, which Louisville and Jefferson County were well positioned to accommodate. During this time, an approximate 0.76 percent annual rate increase was observed. This rate slowed from the late 1970's through 1990, to 0.32 percent. The counties surrounding the metropolitan area declined in population over the decade preceding 1990. Since the period, population has grown in all areas with growth rates for Jefferson County ranging from 0.47 percent at the beginning of 2005 to 1.54 percent in 2002. The change since 1970 is a 0.02 percent decline, mostly due to the early 1970's exodus due to court ordered busing, to achieve racial integration to higher property taxes. Since the 1970's, the busing is no longer a major issue and the taxes in Jefferson County are less than the Indiana areas, of Clark, Floyd and Harrison Counties.

Figure 6



Jefferson County is projected to have a minimum annual growth of approximately 0.29 percent per year to 2010 as shown in Figure 7. This deviates significantly from the State of Kentucky, which will grow approximately 0.60 percent per year as shown in Figure 8. The MSA is expected to grow at faster rate (0.79 percent) than both Jefferson County and State of Kentucky. This is a rate of growth greater than that of the United States, and approximately two times greater than Jefferson County. Therefore, the population trends for the metropolitan area project a slowly growing economic climate through 2010 and possibly beyond.

Figure 7

Population Projections For Jefferson County, Louisville MSA and State of Kentucky 2006 to 2010

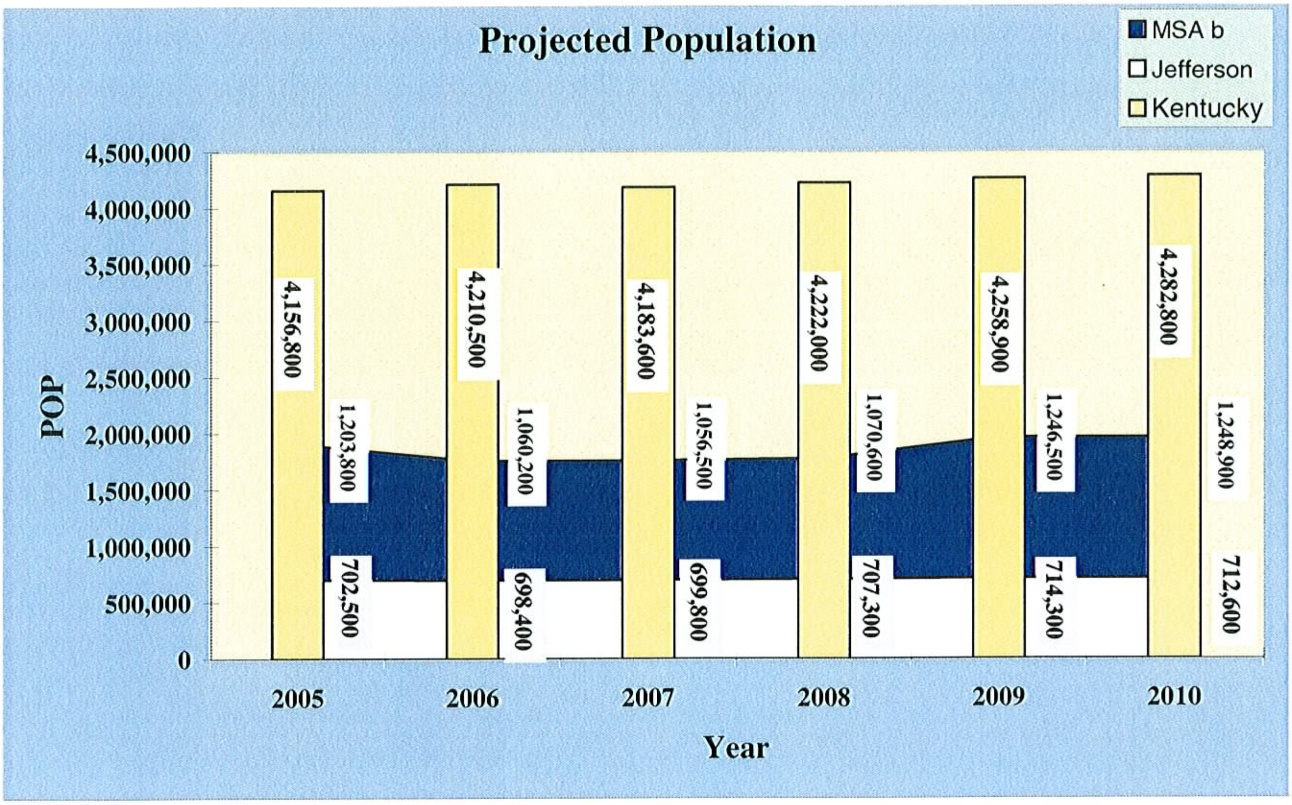
Year	Jefferson Cnty, KY	Annual % Change a	MSA b	Annual % Change	State of Kentucky	Annual % Change
2005	702,500	0.00%	1,203,800	-9.69%	4,156,800	0.48%
2006	698,400	-0.58%	1,060,200	-11.93%	4,210,500	1.29%
2007	699,800	0.20%	1,056,500	-0.35%	4,183,600	-0.64%
2008	707,300	1.07%	1,070,600	1.33%	4,222,000	0.92%
2009	714,300	0.99%	1,246,500	16.43%	4,258,900	0.87%
2010	712,600	-0.24%	1,248,900	0.19%	4,282,800	0.56%
05-10		**0.29%**		**0.74%**		**0.60%**

a Annual compounded percentage change from previous year

b Shelby was dropped in 1990, but Henry, Meade, Nelson, Shelby, Spencer and Trimble were added in 2002 in Kentucky. Clark, Floyd, Harrison and Washington in Indiana, Washington was added in 2003 and Scott was dropped..

Source:IU Business School & U.S. Census Bureau

Figure 8



Households

Figures 9 and 10 illustrate the number of households within the State of Kentucky, the Louisville MSA, and Jefferson County, for the years 1980 through 2004 (beginning 2005). The household is considered the primary demand generator for residential units and is considered an important statistic.

Figure 9

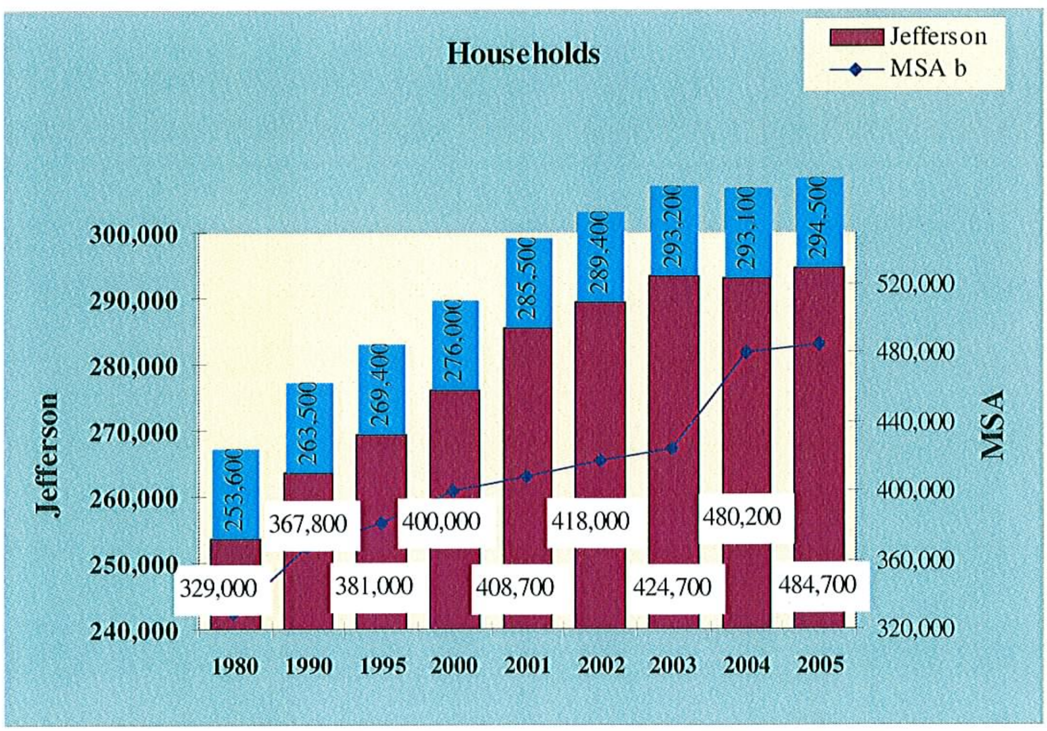
Historic Household Trends For Jefferson County
Louisville MSA and State of Kentucky 1980-2005

Year	Jefferson Cnty, Ky	Annual % Change a	MSA b	Annual % Change	State of Kenucky	Annual % Change
1980	253,600	---	329,000	---	1,288,900	---
1990	263,500	0.38%	367,800	1.12%	1,380,600	0.69%
1995	269,400	0.44%	381,000	0.71%	1,440,000	0.85%
2000	276,000	0.49%	400,000	0.98%	1,601,000	2.14%
2001	285,500	3.44%	408,700	2.18%	1,564,500	-2.28%
2002	289,400	1.37%	418,000	2.28%	1,616,300	3.31%
2003	293,200	1.31%	424,700	1.60%	1,640,200	1.48%
2004	293,100	-0.03%	480,200	13.07%	1,643,500	0.20%
2005	294,500	0.48%	484,700	0.94%	1,660,000	1.00%
80-05		**0.60%**		**1.56%**		**1.02%**

a Annual compounded percentage change from previous year
b Shelby was dropped in 1990, but Henry, Meade, Nelson, Shelby, Spencer and Trimble were added in 2002 in Kentucky. Clark, Floyd, Harrison and Washington in Indiana, Washington was added in 2003 and Scott was dropped..
Source:IU Business School & U.S. Census Bureau

From 1980 to 2005, the number of households in the Louisville MSA grew from 329,000 to 484,700, for a net gain of 155,700 households, or a 47.3 percent increase. This indicates positive growth, which is usually generated by employment growth, which is an important indicator of the health of the housing market. Jefferson County had a 16.2 percent increase in the number of households, and the State of Kentucky showed an increase of 28.8 percent for the same period. This shows that the other Kentucky Counties (MSA) and Southern Indiana had larger percentage growths. From 2004 through 2005, new households within Jefferson County, outside of the City of Louisville, increased 1,400 households. This large increase in the MSA in 2004 is due to the addition of five counties in Kentucky to the MSA.

Figure 10



Jefferson County Households are projected to have a minimum annual growth of approximately 0.46 percent per year to 2010 as shown in Figure 11. This deviates significantly from the State of Kentucky, which will grow approximately 0.79 percent per year as shown in Figure 12. The MSA is expected to grow at faster rate (0.79 percent) than both Jefferson County and State of Kentucky. This is a rate of growth greater than that of the United States, and approximately two times greater than Jefferson County. Therefore, the population trends for the metropolitan area project a growing economic climate through 2010 and possibly beyond.

Figure 11

Household Projections For Jefferson County, Louisville MSA and State of Kentucky 2006 to 2010

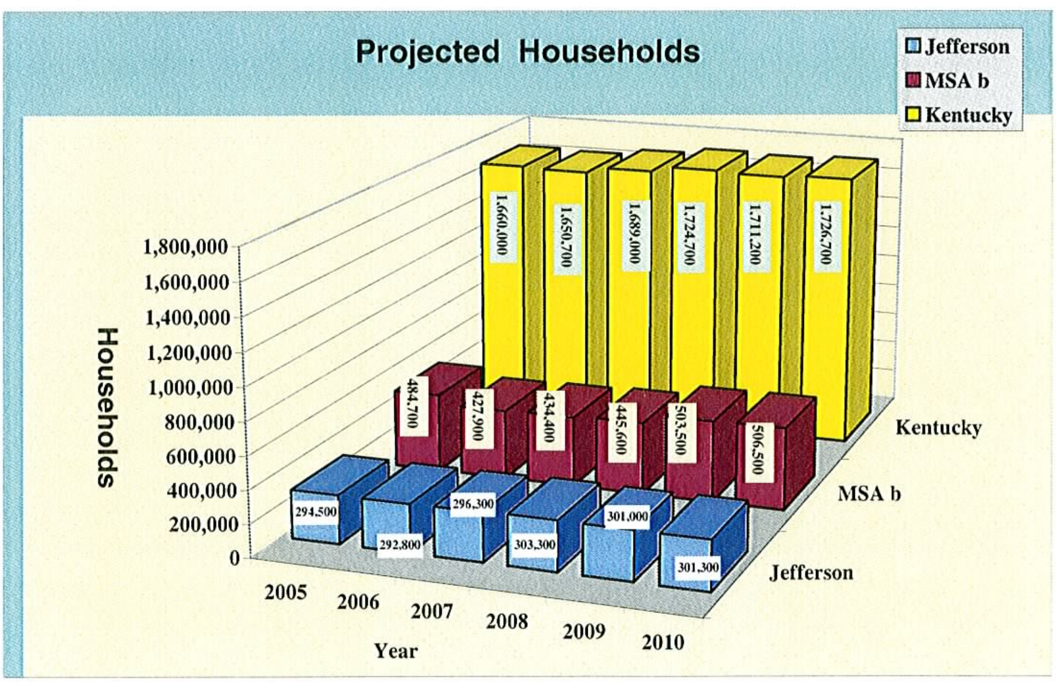
Year	Jefferson Cnty, KY	Annual % Change a	MSA b	Annual % Change	State of Kentucky	Annual % Change
2005	294,500	0.48%	484,700	0.94%	1,660,000	1.00%
2006	292,800	-0.58%	427,900	-11.72%	1,650,700	-0.56%
2007	296,300	1.20%	434,400	1.52%	1,689,000	2.32%
2008	303,300	2.36%	445,600	2.58%	1,724,700	2.11%
2009	301,000	-0.76%	1,246,500	179.74%	1,711,200	-0.78%
2010	301,300	0.10%	506,500	-59.37%	1,726,700	0.91%
05-10		**0.46%**		**0.88%**		**0.79%**

a Annual compounded percentage change from previous year

b Shelby was dropped in 1990, but Henry, Meade, Nelson, Shelby, Spencer and Trimble were added in 2002 in Kentucky. Clark, Floyd, Harrison and Washington in Indiana, Washington was added in 2003 and Scott was dropped..

Source:IU Business School & U.S. Census Bureau

Figure 12



Retail Sales

The trend in retail sales does not reflect changes in population, but accounts for the propensity of the area's inhabitants and visitors to spend money for retail goods. As with population trends, retail sales tend to gauge the economic health and vitality of a market area

Figure 13 shows historic retail sales trends for Jefferson County, as compared with the Louisville MSA. The data shows changes in retail sales, both in current dollars for respective years, and constant dollars from 2000. This reflects the real change of increase or decline, without inflation. Between 1980 and 2005, Jefferson County experienced a compounded annual change of 0.38 percent. The Louisville MSA had a 1.81 percent change, which is greater.

Figure 13

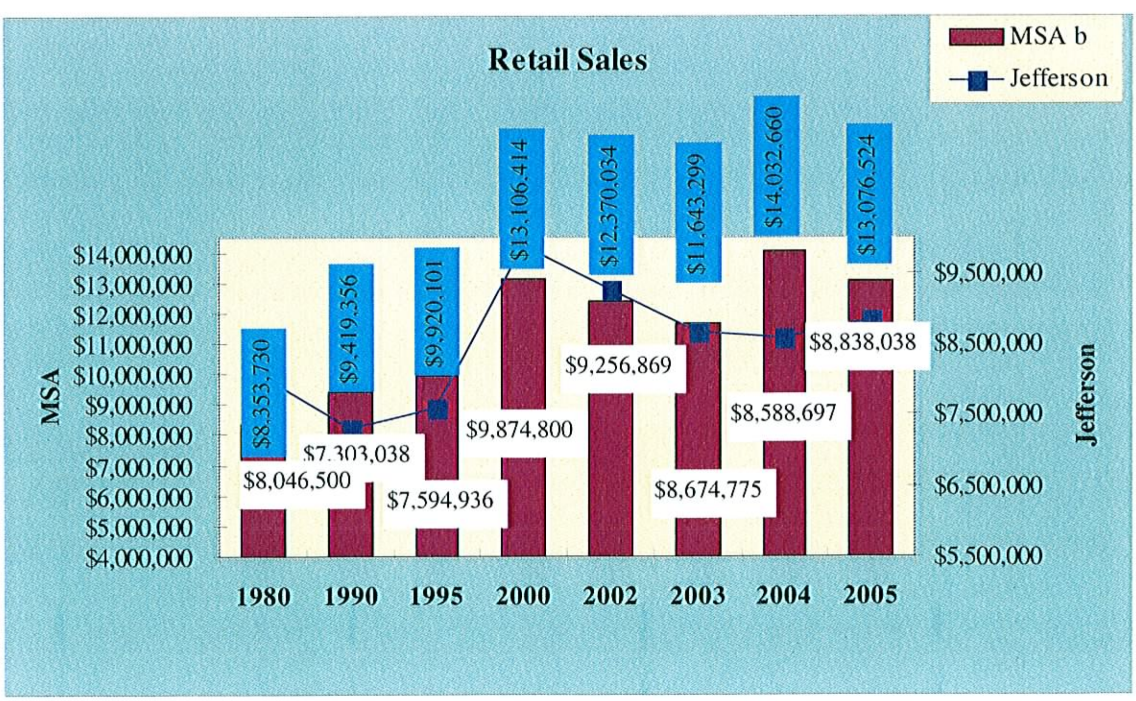
Historic Retail Sales Trends For Louisville MSA & Jefferson County 1980-2005 (X 1,000) (1)

Year	MSA b	Constant Dollars	Annual % Change	Jefferson County	Constant Dollars	Annual % Change
1980	$3,997,000	$8,353,730	---	$3,850,000	$8,046,500	---
1990	$7,146,704	$9,419,356	1.21%	$5,541,000	$7,303,038	-0.96%
1995	$8,778,850	$9,920,101	1.04%	$6,721,182	$7,594,936	0.79%
2000	$13,106,414	$13,106,414	5.73%	$9,874,800	$9,874,800	5.39%
2002	$12,925,845	$12,370,034	-2.85%	$9,672,799	$9,256,869	-3.18%
2003	$12,439,422	$11,643,299	-5.87%	$9,267,922	$8,674,775	-6.29%
2004	$15,471,510	$14,032,660	20.52%	$9,469,346	$8,588,697	-0.99%
2005	$14,676,234	$13,076,524	-6.81%	$9,919,235	$8,838,038	2.90%
80-05			1.81%			0.38%

(1) 1980 to 2005 in 2000 constant dollars, 2000 base year compounded annual change

Source:Sales & Marketing Management

Figure 14



Between 1980 and 2005, Jefferson County growth was less than the Louisville MSA growth. This comparison is shown in Figure 14. This indicates that the economy of Jefferson County is not as dynamic as in the previous decade. In fact, the difference between the actual dollar retail sales in Jefferson County and those in the consumer price index ranges from -6.29 to 5.39 percent real growth, with the lowest percentage of -6.29 percent in 2003, which was probably due to the decline in the actual sales. The real dollar Louisville MSA growth ranged from -6.81 to 20.52 percent between 1980 and 2005. This reflects stronger growth for the nation as a whole during the recession than that found in Jefferson County. It also illustrates that the historic performance of Jefferson County typically lagged behind the nation in recovery from a recession. This was possibly due to the heavy industrial base of the community, which is now changed to a more service-oriented base. The State of Kentucky's growth rate between 1980 and 2005 is greater than that found either in Jefferson County or in the United States as a whole.

The projected change in retail sales in Jefferson County much less than the Louisville MSA between 2005 and 2010, with the county showing a 2.79 compound annual percent decrease and the MSA showing a 0.36 compound annual percent increase in real 2000 dollars, as shown in Figure 15. The future decline of the county versus the MSA shows that the county's growth will be slightly less, which follows the trend established by historic data. The State of Kentucky's future retail sales, as compared to those of the United States from 2000 to 2005, are significant and reflect the still depressed farm community's economic problems. However, from 2000 to 2005 a decline in Jefferson County is reflected that almost matches that of the United States. With the increase in retail sales, local businesses will prosper and new firms will likely enter the market in 2006, however, with the projected decline from 2008 through 2010, the numerous businesses will fail and foreclosures may occur. However, this is contrary to historical performance, and these projections appear conservative.

Figure 15

Projected Retail Sales Trends For Louisville MSA & Jefferson County
2005-2010 (X 1,000) (1)

Year	MSA b	Constant Dollars	Annual % Change	Jefferson County	Constant Dollars	Annual % Change
2005	$14,676,234	$13,076,524	-6.81%	$9,919,235	$8,838,038	2.90%
2006	$15,626,501	$13,485,670	3.13%	$11,576,023	$9,990,108	13.04%
2007	$15,163,380	$12,767,566	-5.32%	$11,177,215	$9,411,215	-5.79%
2008	$13,079,937	$10,751,708	-15.79%	$9,568,055	$7,864,941	-16.43%
2009	$16,261,425	$13,041,663	21.30%	$9,561,081	$7,667,987	-2.50%
2010	$16,834,461	$13,316,059	2.10%	$9,697,998	$7,671,116	0.04%
2005-2010			0.36%			-2.79%

(1) 1980 to 2005 in 2000 constant dollars, 2000 base year compounded annual change

Source:Sales & Marketing Management

Effective Buying Income

The driving force behind community growth is jobs, which result in population and retail sales increases. To test the conclusions reached regarding the rate of population and retail sales growth in the MSA as compared to those of the United States, the Effective Buying Income (EBI) was reviewed. Figure 16 shows the 2005 average household EBI for Jefferson County, Kentucky, the state of Kentucky and the United States and the 2010 projections and Figure 17 is a graph of the data in a picture form. The median and average household Effective Buying Income (EBI) is an indicator of the regions ability to afford the consumer goods, which does not usually include housing.

Figure 16

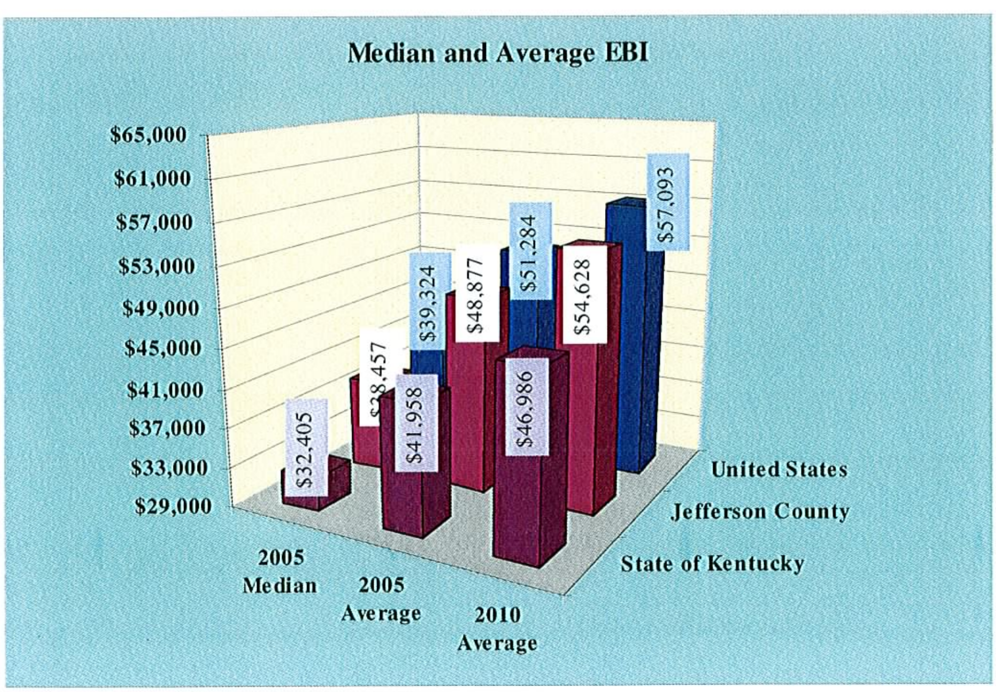
Average and Median Household Effective Buying Income 2005-2010

Location	Median 2005	Average 2005	Average 2010	Avg %(1) Change
Jefferson County	$38,457	$48,877	$54,628	2.25%
State of Kentucky	$32,405	$41,958	$46,986	2.29%
United States	$39,324	$51,284	$57,093	2.17%

(1) Average Annual Change for the Average Household Income
Source: Sales & Marketing Management 2005

The average household's EBI for the state is less than that of the United States and less than the City of Louisville and Jefferson County. This relationship would indicate that the MSA residents of the U.S. and Jefferson County have more dollars available to spend for retail goods, and are likely to spend most of these in Jefferson County. Also, any potential growth for the City of Louisville and the State of Kentucky contributes significantly to Jefferson County.

Figure 17



WORK FORCE CHARACTERISTICS

The characteristics of an area's work force provide an indication of the type and profile of the community. From this profile, observations can be made and patterns inferred as to overall health and stability. Figure 18 sets forth the Jefferson County work force distribution by business sector for the period between 1991 and 2005. As Figure 18 illustrates, the most rapid growth during the past decade was in the services and construction sectors. The services at 3.35 percent, Construction 2.60 percent, FIRE sector increased at 1.92 percent, Government at 0.49 percent, and Transportation and Trade at 0.23 percent, while the manufacturing sector showed a small 1.65 percent per year decrease. Overall, the growth in the non-agricultural sector of the work force is approximately 1.20 percent per year.

Figure 18

Louisville MSA Area Employment By Category

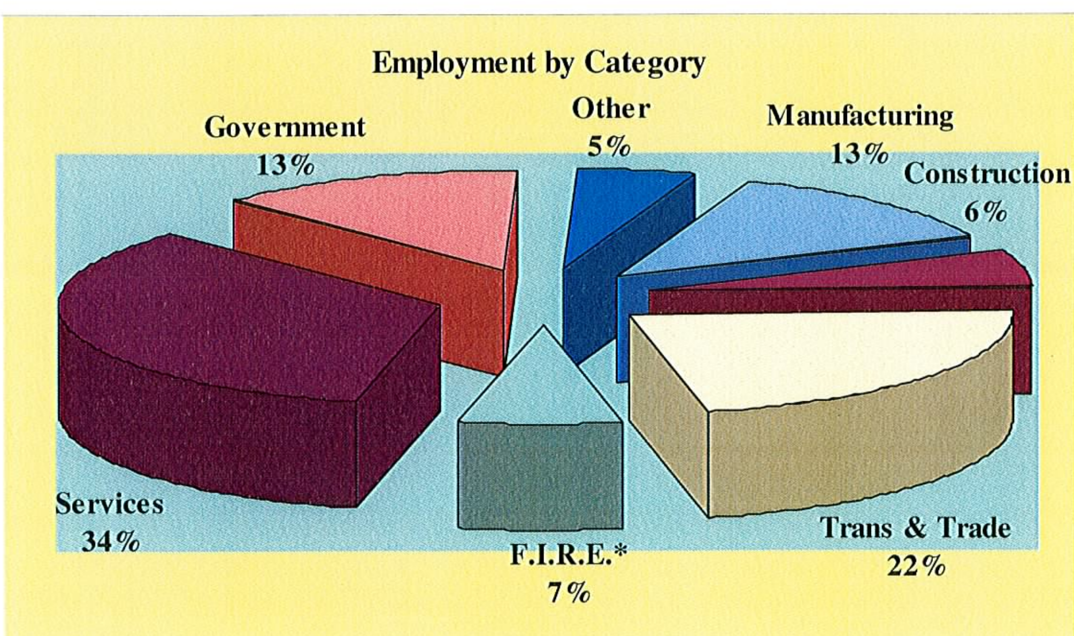
Category	1995	2000	2001	2002	2003	2004	2005	Compond Annual Chng 1995-2005
Manufacturing	94,100	95,000	90,800	84,500	80,900	79,600	79,700	-1.65%
Construction	29,000	34,000	33,600	32,800	32,600	34,000	37,500	2.60%
TR, Wh and RT **	129,300	143,400	139,800	135,600	131,700	131,900	132,300	0.23%
F.I.R.E.*	32,900	37,600	37,600	38,200	38,800	39,300	39,800	1.92%
Services	147,100	172,700	188,100	189,100	194,700	197,700	204,500	3.35%
Government	72,400	77,300	77,000	76,100	76,500	76,700	76,000	0.49%
Other	27,100	29,300	29,100	29,000	29,100	29,400	29,300	0.78%
Total	531,900	589,300	596,000	585,300	584,300	588,600	599,100	1.20%

* Finance, Insurance & Real Estate does not include mining.

** Transportation, Wholesale and Retail Trade.

Source: US Department of Labor, Bureau of Labor Statistics 1995-2004; 2005 January-August

Figure 19



A second positive economic characteristic displayed by this data is the diversification of the Jefferson County economy. The government sector accounts for approximately 13 percent of the employment base, which is lower than most metropolitan areas, which are typically in the 25 percent and above category. Figure 19 shows the services, trade, and manufacturing sectors at 34, 22, and 13 percent respectively for 2005. These are within normal ranges typically found in other communities; however, manufacturing is a few percentage points higher than typical.

Housing

Figure 20 illustrates the residential sales activity for Metro Louisville for the years 1970 through 2006. This information is graphed in Figure 21.

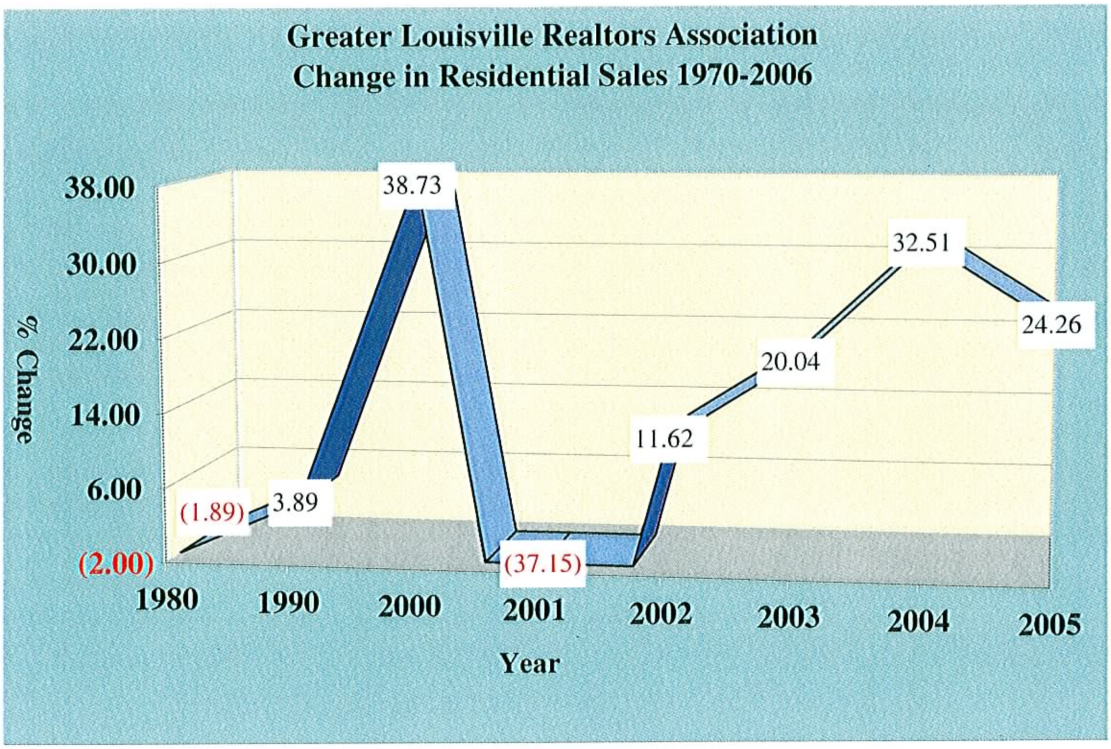
The residential sales activity is closely linked to the level of mortgage rates charged by banks, savings, and loans, which have fallen since the all time recent high in 1982. The increase in sales activity is borne out by the significant decrease in mortgage interest rates, especially in the late 1990's. The interest rates for 1992 were at a 29-year low, and has maintained to the present, which probably contributed significantly to the increase in sales.

Figure 20

Residential Sales Activity
Metro Area 1970-2006

Year	Units Sold	Sales Volume	Annual % Change
1970	6,291	$78,303,066	---
1980	5,354	$64,697,816	(1.89)
1990	6,730	$94,743,722	3.89
2000	10,457	$2,502,007,759	38.73
2001	10,653	$1,572,404,896	(37.15)
2002	11,275	$1,755,132,993	11.62
2003	12,694	$2,106,852,459	20.04
2004	14,047	$2,325,723,807	32.51
2005	15,165	$2,618,009,287	24.26
2006	15,233	$2,700,009,287	16.09

Figure 21



The residential sales activity, since the 2001 decline of 37.15 percent has increased from 11.62 to 24.26 percent per year to 2006 with 2005 being the highest increase. This confirms the permits and absorption analysis completed in the highest and best use.

Figures 22 and 23 illustrate new construction by building permits issued for Jefferson County for the years 1970 through the first 2 months of 2007. There was substantial over building in the early 1970's, and the 1974-1975 recessions caught many participants in the building industry with an oversupply.

Figure 22

Building Permit Activity-Jefferson County
1970-2007(1)

Year	Single-Family	% of Total	Multi-Family	% of Total	MF	% of Total	Total
1970	2,561	47.0%	2,803	51.4%	86	1.6%	5,450
1980	1,121	66.9%	410	24.5%	144	8.6%	1,675
1985	859	33.7%	1,477	57.9%	214	8.4%	2,550
1990	1,484	66.3%	613	27.4%	140	6.3%	2,237
1996	2,092	91.4%	198	8.6%	0	0.0%	2,290
1997	2,171	92.1%	183	7.8%	2	0.1%	2,356
1998	2,547	93.8%	165	6.1%	3	0.1%	2,715
1999	2,579	94.1%	161	5.9%	0	0.0%	2,740
2000	2,082	91.1%	202	8.8%	2	0.1%	2,286
2001	2,172	90.7%	222	9.3%	0	0.0%	2,394
2002	2,749	96.7%	93	3.3%	0	0.0%	2,842
2003	3,164	97.7%	76	2.3%	0	0.0%	3,240
2004	3,237	98.6%	46	1.4%	0	0.0%	3,283
2005	2,041	98.6%	28	1.4%	0	0.0%	2,069
2006	2,245	97.6%	56	2.4%	0	0.0%	2,301
2007	855	99.3%	6	0.7%	0	0.0%	861

Source Kentuckiana Regional Planning and Development Agency
US Census Bureau (1) January - March 2007

Following the economic recovery, construction of buildings increased in 1977 and 1978. However, due to the substantial over building in the early 1970's, the area escaped any significant glut of construction during 1977 and 1979. The period between 1980 and 1982 reported unprecedented high interest rates, which curtailed construction. In the 2000's to date, the permit activity has surpassed most of all the previous years with the exception of 1970, 1998 and 1999. The permit activity 2000 though first 2 months 2007 has been constant. The total permits for 2003 and 2004 are more than any year, except 1970. The actual permits for 2007 are 855 and if annualized gives 3,100 projected permits that is slightly less than 2006. This indicates stable construction market. This coupled with the with 25 percent increase in residential sales activity indicates the inelasticity of supply and the constant demand considering the rising interest rates.

Figure 23

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Major Businesses and Industries

The type and size of major businesses and industries within the market area provided indication of the potential for office use. Major employers in the Louisville MSA which create residential demand because of national orientation are shown in Figure 24.

Figure 24

Major Corporate, Divisional, and Regional Headquarters

Louisville MSA

Company	Product	Employees
United Parcel Service	Mail Parcels	20,424
Ford Motor Company	Small and Large Truck Plant	9,807
Norton Healthcare, Inc.	Health, Life Insurance	7,575
General Electric	Appliances	5,800
Jewish Hospital Health Care Services, Inc.	Health Industry	5,467
Kroger Co.	Grocery Goods	5,045
Humana, Inc.	Health Industry	4,785
Catholic Archdiocese of Louisville	Church, Schools	2,485
Baptist Hospital East	Health Industry	2,204
Caritas Health Services	Health Industry	2,200
Yum! Brands Inc.	Restaurant	2,170
Caesars Indiana	Entertainment	2,076
University Hospital	Health Industry	2,006
Kindred Healthcare Inc.	Health Industry	1,952
Anthem Blue Cross & Blue Shield	Health Industry	1,725
Bank One	Federal Lender	1,720
Publishers Printing Co. LLC	Printing	1,600
Brown-Forman Corp	Consumer Products	1,584
BellSouth	Telecommunications	1,395
National Processing Company	Business Transaction Processing	1,377
Floyd Memorial Hospital	Health Service Provider	1,249
Sears Roebuck & Co.	Retail Apparel	1,234
Swift & Company	Manufacturing	1,151
Al J. Schneider Co.	Full-Service Hotel	1,130
National City Bank	Financial Services	1,056
Thyssenkrupp Budd Co.	Manufacturing	1,027
Clark Memorial Hospital	Health Care Provider	1,015
Seven Counties Services Inc.	Health Service Provider	1,005
Papa John's International	Restaurant	998
YMCA of Greater Louisville	Community and Human Services	932

One of the most relevant economic indicators that often directly reflect transient lodging demand is the trend in occupied office space in the market area. The firms and businesses, which usually create commercial visitation. While it is difficult to directly quantify commercial transient demand based on the amount of occupied office space, any change or trends which will either increase or decrease the amount of occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on transient meeting demand.

Figure 25 reveals the Louisville office absorption rates according to Grubb & Ellis (Commercial Kentucky), a brokerage firm, which specializes in office, industrial, retail, and investment properties.

At the present, there are no proposed office buildings in the downtown corridor. The primary additions are the major renovations to the Brown Foreman acquisitions, the Snead Building and the former jail property, which will be a large multi-use development facility with office space. There is some medical office space in the medical office to begin construction in late 2005. Therefore, an overall growth rate of two percent is projected.

Figure 25

Office Absorption

Year	Occupied Space/SF	Net Change In Occupied Space	Occupied Annual % Change
1991	10,751,515	----	----
1992	10,896,599	145,084	1.349%
1993	10,966,599	70,000	0.642%
1995	12,737,333	1,770,734	16.147%
1996	13,019,258	281,925	2.213%
1997	13,497,235	477,977	3.671%
1998	13,578,820	81,585	0.604%
1999	14,100,703	521,883	3.843%
2000	14,283,560	182,857	1.297%
2001	14,470,694	187,134	1.310%
2002	14,474,307	3,613	0.025%
2003	14,119,619	(354,688)	-2.450%
2004	14,792,248	672,629	4.764%
2005	15,266,248	474,000	3.204%
1991-05		**3,722,792**	**2.536%**

Source: Grubb & Ellis 1991-2005, December 31, 2005

Airport passenger counts are important indicators of transient lodging demand. Depending upon the type and location of a particular airfield, a sizable percentage of arriving passengers may have a need for hotel and motel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of an area. Air passenger traffic increased a compound annual 0.54 percent from 1994 to 2005, but a compound annual 8.4 percent from 1990. Figure 26 is a summary of airport activity since 1990. The Cargo traffic increased a compound annual 2.77 percent from 1994 to 2005.

The airport is serviced by Delta, US Air, United, Continental, Northwest Airlines, and Southwest Airlines. The facility (Standiford Field) recently completed the covered parking and the expansion of the two parallel 10,000-foot runways that allow Louisville to compete with other major cities in the area including Indianapolis and Nashville. The RAA recently announced an eleven million dollar renovation of the existing terminal to be completed by 2004. Therefore, air passenger increase of two to three percent per annum growth is indicated.

As home of the UPS international sorting hub, Louisville International Airport is the largest airport in the US and in the world in air cargo with over 1.3 million metric tons of cargo handled annually. Due to UPS centering their business at the international airport, cargo traffic tends to fluctuate with the company's trends. With over 3 billion pieces of cargo shipped in 2000, cargo traffic at Louisville International remains significantly strong, indicative of the economic vitality of UPS. Louisville Airport Improvement Program doubled the airport's capacity by allowing simultaneous takeoffs and landings in all weather conditions. Additionally, a 22-story air-traffic control tower was constructed; customer parking has been expanded, and a new 85,000-square-foot building for airmail handling is complete.

Figure 26

Airport Statistics

Historic Air Passenger Trends

1990-2005

Year	**Passenger Boarding**	**Percent Change***	**Percent Change****	**(000) Cargo Traffic**	**Percent Change***	**Percent Change****
1990	1,042,000	---	---	847,027.9	---	---
1994	3,303,793	33.4%	--	2,972,027.9	36.9%	--
1995	3,451,372	4.5%	4.5%	2,979,188.4	0.2%	0.2%
1996	3,559,340	3.1%	3.8%	3,017,681.8	1.3%	0.8%
1997	3,672,795	3.2%	3.6%	2,967,347.7	-1.7%	-0.1%
1998	3,666,788	-0.2%	2.6%	3,076,073.4	3.7%	0.9%
1999	3,819,499	4.2%	2.9%	3,176,174.5	3.3%	1.4%
2000	3,954,243	3.5%	3.0%	3,350,669.0	5.5%	2.0%
2001	3,733,226	-5.6%	1.8%	3,238,890.1	-3.3%	1.3%
2002	3,503,058	-11.4%	16.4%	3,360,155.9	0.3%	1.6%
2003	3,322,357	-11.0%	0.1%	3,474,109.6	7.3%	2.0%
2004	3,431,387	3.3%	0.4%	3,834,689.8	10.4%	2.6%
2005	3,504,104	2.1%	0.2%	4,013,489.8	4.7%	3.0%
90-2005		**8.4%**			**11.4%**	
94-2005			**0.54%**			**2.77%**

* Annual compound percentage change from the previous Year

** Annual compound percentage change from 1994 (expansion of airport)

Source: Louisville International Airport

Convention Attendance Statistics

Visitation to the Louisville MSA for meetings and conventions has grown significantly during the past decade. This is a result of the efforts of the Louisville Visitor and Convention Bureau.

Meetings and conventions are an important part of the hotel and motel occupancy for the Louisville MSA with particular impact on the center city hotels, and influencing to a lesser extent, suburban and Southern Indiana hotels. Major attractions of the conventions and exhibitions to Louisville include the new expanded Louisville Convention Center. The Louisville River Bats, a triple "A" Cincinnati Reds minor league baseball team opened in their new facility, slugger field, near the Ohio River in the Spring 2000. Historic convention visitor data from 1988 to 2004 is shown in Figure 27.

As can be seen, during the previous five years the number of dollars spent decreased $221.6 million in 1997 to $215.4 million (rounded) in 2002. The trend has been for smaller or cancelled regional meetings and special events due to the 911 terrorist attacks and tightened security at the airports. This trend echoes a national trend in cities with greater hotel supply. Major conventions typically are in the areas with single hotels containing 1,000 rooms or more.

Figure 27

Historic Convention Visitor Data

Year	$ Spent	% Change
1988	$143,000,000	----
1989	$131,000,000	-8.4%
1990	$147,000,000	12.2%
1991	$135,000,000	-8.2%
1992	$152,000,000	12.6%
1993	$194,000,000	27.6%
1994	$162,727,440	-16.1%
1995	$223,360,723	37.3%
1996	$181,677,053	-18.7%
1997	$221,613,144	22.0%
1998	$245,133,652	10.6%
1999	$278,126,764	13.5%
2000	$255,528,984	-8.1%
2001	$223,357,712	-12.6%
2002	$215,442,784	-3.5%
2003	$221,727,020	2.9%
2004	$201,727,020	-9.0%
Annual % Change 1999 to 2004		-6.2%

Bookings From July 1, to June 30 of each year

Source: Louisville & Jefferson County Convention Bureau

The future trend for convention hotel night demand is estimated to decrease in through the first half of 2005 approximately 4.0 percent, but increase 2.8 percent through 2004, based upon the data supplied by the Louisville Convention Bureau as shown in Figure 28.

Figure 28

Future Convention Visitor Room Data

Year	Annualized	% Change
2005	545,000	----
2006	565,490	3.8%
2007	592,500	1.2%
		2.8%

Source: Louisville & Jefferson County Convention Bureau

Economic and Demographic Conclusions:

After reviewing various sources of economic and demographic data for the market area, local markets experienced moderate growth trends over the past five to ten years. The actual changes in each of the economic indicators **project a moderate one to three percent growth.**

NEIGHBORHOOD ANALYSIS

A definition of a neighborhood is "a group of complementary land uses."[3] Neighborhood boundaries are identified by determining the area in which forces operate on properties in the same way that they operate on the property being appraised. Although a neighborhood may be seen as a grouping of properties within physical boundaries, these physical boundaries are less significant than are the boundaries of influence on property values, even though influences may end at observable physical points.

The subject property is located within Jefferson County in the Louisville Central Business District (CBD). It is situated on the south side of W. Market Street between Eighth and Ninth Streets, and across from the proposed Glassworks Building II as shown in the attached Neighborhood Location Map, Figure 29. The subject is within walking distance to most of Louisville's major governmental and professional office buildings. The subject is within six blocks west of Second Street, which is U.S. Highway 31 E extending across the Ohio River north 1.5 miles where it intersects with Interstate 65. The subject is located 4 blocks west of 4th Street Live. This portion of Fourth Street and Market Street has the largest concentration of pedestrian and vehicular count of any in the city.

The CBD neighborhood boundaries generally are physical in nature. On the west is the Ninth Street ramp to I-64, to the north is the Ohio River, to the south is York Street, and to the east is I-65 to Main Street, then south along Hancock Street, see neighborhood map.

The CBD is restricted by the Louisville Downtown Development Plan. This plan was conceived by the Louisville Central Area (LCA), a public/private partnership, which structures financing, packages for high priority development projects. In September 1993, the Louisville-Jefferson County Planning Commission voted to use the Louisville Downtown Development

[3]Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago, Illinois, 2002), p. 193.

Plan as a guide for project reviews. One element of the plan is to restrict development of high-rise office buildings to an area north of Chestnut Street between Second and Sixth Streets.

Figure 29
Neighborhood Map

The Louisville Enterprise Zone, which was established in 1983, was expanded from 6.7 square miles to 45.7 square miles in 1986, and is the largest of its type in the country. This is the area east of First Street and west of Seventh Street which offers special state and local tax incentives, and regulatory relief to new or expanding businesses, its purpose is to revitalize the area's industrial base and provide jobs.

The most recent employment survey taken by LCA, reports downtown employment at approximately 64,000 persons. Companies with over 500 employees include Alliant Health System, Brown & Williamson Tobacco Corporation, The City of Louisville, Humana, Jefferson County Government, Jewish Hospital, L G & E Energy, National City Bank, PNC Bank, Mid America Bank, Presbyterian Church, Vencor (now Kindred), Aegon VN, and the University of Louisville Health Services.

Present land use in the neighborhood is divided approximately as follows:

Institutional/Recreational	25%
Commercial	20%
Office	20%
Residential	20%
Vacant/Surface Parking	10%
Industrial	5%

The subject neighborhood is approximately 95 percent built-up and most of the remainder is reuse sites or surface parking. The neighborhood is mostly zoned C-3, an intensive commercial classification permitting multi-family, not single-family residential development, OR-3 Office Residential District, and C-2 Commercial District, which permits everything C-3 permits other than high-rise construction. The subject property itself is zoned C-3. The C-3 zoning is a more intense zoning eliminating the parking requirements. The parking shortage is a major consideration for retail and office developments in the CBD; however, the subject will have access to the PARC garage (Seelbach Hotel), a public parking garage at the rear of the subject site. The garage is six levels with a total of 962 parking spaces, the third largest in the city. According to Mr. Fuller, the buyer, the prospective condominium owners will be responsible for the fees. These range from $75 per space for non-reserved spaces and $90 per month for reserved spaces. The proposed construction calls for a new pedestrian walkway (ped-way) from the second level of the garage to the second floor of the subject building. There are currently 14,767 garage parking spaces in the neighborhood with an overall occupancy rate of 99 percent. The monthly reserved spaces are renting for an average of $100 while the average monthly rent for open spaces is $75, with a daily "first come" rate of $7.19 per space. This shows the high demand for covered parking in the CBD with limited supply. According to three developers of similar condominium developments in the downtown area who have provided garage or surface parking spaces, $8,500 to $15,000 per parking space if purchased is a reasonable sale price in the market place, depending on how many are purchased and the individual unit's sale price should reflect the additional value.

Downtown Louisville Districts

For purposes of discussion, the CBD was divided into areas of activity or districts with overlapping characteristics. These areas approximately coincide with planning districts created by the Louisville Central Area and Louisville Development Authority.

Core District

The subject property lies within the Core District area along W. Market Street. The Core District contains all the Class A office space, except the 600 Building, as well as the 4th Street Mall (formerly the Galleria shopping mall) and is considered the financial center for the city encompassing the Jefferson County Courthouse, City Hall and the Hall of Justice. The demand or appeal for professionals, lawyers, bankers and others is directly related to their proximity and ease of access to these City and County offices. The financial district, as this often referred as, is the headquarters of all five of Louisville's regional banks (Chase, PNC Bank, National City, FirstStar and Fifth Third) and is also the headquarters of Republic Bank, one of the major local banks. Other local banks represented here including the Stock Yards Bank & Trust and Commonwealth. Across from the subject on the north side of Muhammad Ali Boulevard is the newly constructed George Garvin Brown Garden park, which is a $1.4 million project paid for by Brown-Forman Corporation, in honor of the company's founder. This is an excellent addition to this portion of the subject's block, offering a positive selling feature for the subject's residential condominiums.

The hostelry segment is represented in the Core District which contains 70 percent of the hotel rooms located in the CBD. The newly expanded and renovated Commonwealth Convention Center, located on Fourth between Market and Jefferson Streets, is the focus of much of the demand for this lodging activity.

The eight-story, 140-room Courtyard by Marriott hotel opened in June of 1999 at the southwest corner of Second and Main Streets, one of the most desirable locations in the CBD. Tom Musselman, the developer paid nearly $1 million for the 38,400-square foot site with a total cost of the hotel reportedly exceeding $13 million. The numerous access easements and green space limitations placed on the site to allow construction of the adjacent L G & E headquarters reportedly had a detrimental effect on the site's marketability and sale price. The architect was required to revise the plans numerous times to allow the building and parking garage on the site to meet the City of Louisville and Marriott's requirements.

The Aegon Center and Waterfront Plaza added about 1,800,000 square feet of Class A office space to the Core District inventory between 1992 and 1993, and were the last major additions. The Aegon Center is a 35-story tower containing approximately 640,000 square feet on the southwest corner of Fourth and Market Streets. The building is the state's tallest at 549 feet and has the distinctive lighted domed top. Aegon VN is the building's primary tenant, with Stites & Harbison and Brown, Todd and Heyburn, two of the state's largest law firms, each utilizing several floors.

The building was originally named the Capital Holding Center and in 1995 was renamed the Providian Center to correspond with the renaming of the major tenant. In 1996 Providian was acquired by Aegon VN, a Dutch financial conglomerate (American division, Aegon USA, is based in Baltimore). Providian was one of the few Fortune 500 firms headquartered in the Louisville MSA, and its loss was expected to have a major impact on the area. Since the acquisition, Aegon has announced that it intends to maintain most of the Providian operations, and their 1,300 employees, in their existing locations. A significant employment loss has come from the life insurance operations at One Commonwealth Place in the Broadway District, which was expected to be phased-out prior to the acquisition. The overall impact on the community has been negligible and will not be felt for another year.

The 4th Street Live, an entertaining complex, is the retail core of the CBD. This is an enclosed shopping mall on Fourth Avenue just two blocks northeast of the subject property. Constructed in 1981 as the Galleria, it contains 191,000 square feet of retail space on three levels, and is reported to be 92 percent occupied. The 4th Street Live is anchored on the north and south by architecturally identical office towers that were constructed as part of the original development. One of the towers was sold in 2001 for $26,000,000. Notable operations include the Hard Rock Café, Red Star Tavern TGI Friday's, Maker's Mark Bourbon House and other various venues. A major food court is located there to include Wendy's and a Subway and retail businesses such as Borders Books & Music, Office Depot, Fashion Shop, Footlocker and others are also located there.

The Theatre Square area along Fourth Street includes a combination of commercial and office uses, including various dining and entertainment establishments. The City of Louisville has been promoting the revitalization of this area, and a number of historic buildings have been renovated or are proposed for renovation. Notable properties in this area include The Camberley Brown Hotel, W. L. Lyons Brown Theatre, and the Palace Theatre. The Camberley Brown Hotel is an historic 4-star hotel located at the corner of Fourth Street and Broadway, and the Brown Theatre is an adjoining theatre (formerly the MacCauley Theatre) that was acquired by the Camberley Brown and underwent a $3 million renovation. The Palace Theatre on Fourth Street also underwent a major renovation of approximately $4 million several years ago. The former Electric Building, adjoining the Palace Theatre on Fourth Street, is also being renovated

The Seelbach Hilton Hotel, located south of the 4th Street Mall and adjacent to the subject's eastern boundary, is a beautifully restored historic hotel currently operated by the Hilton chain, and the Hilliard Lyons Center. The Hilliard Lyons Center includes the corporate offices of the brokerage firm for which it is named, and several floors of vacant former department store space. Most recently, a National City branch bank has located in a portion of the first floor space, and Business First, a local business publication, recently moved its headquarters to this location.

The Louisville Gardens arena is located at the southern edge of the Core District on Muhammad Ali Boulevard. Over the last four years, Louisville Gardens has experienced a decline in events. It is likely that much of this decline is the result of the resurgence of the Louisville Palace located on Fourth Street in the Broadway District. The Palace, which seats 3,000, was renovated in 1995 and has hosted numerous major events over recent years which may have otherwise been staged at the Gardens.

River View Palace (Kentucky Towers) with 285 living units is the largest residential complex in this district, and is located at the southeast corner of Fifth Street and Muhammad Ali Boulevard, adjacent to the western boundary of the subject. Formerly the Kentucky Hotel, it has traditionally housed low-to-moderate income persons and small offices. Rents range from $390 to $750. The building was purchased in 1998 by an out-of-state nonprofit company and has undergone renovation.

There are various other musty-family residential properties in the CBD neighborhood such as the Crescent Centre, The Monsarrat and the 800 Building, to name a few. Rental rates in this area range from $390 per month to $730 for one-bedroom units and $640 to $1,200 per month for two-bedroom units and higher for three-bedroom units. The sizes vary and prices have steadily increased in recent years.

West Main District

The area of West Main Street, between Sixth Street and Ninth Street, is designated as the West Main Street National Register District in order to preserve the 1880 to 1900 Victorian cast-iron curtain wall facades of the buildings, which comprise the second largest collection remaining within the United States. Several improvements, including wider sidewalks using patterned brick, tree planting and street furniture, were completed along the corridor from Seventh Street to Ninth Street. These same improvements are proposed for the area along Market Street to Seventh Street in the area of the subject.

The Louisville Science Center in the 700 block of West Main originally sparked redevelopment on Main Street. The district was popular during the early 1980s until the passage of the 1986 Tax Reform Act (which among other things eliminated the tax incentives for historic renovations). Most of the office space created is considered B and C quality. After the passage of the tax act, coupled with the downturn in the real estate industry nationally, the district has suffered from under-capitalization resulting in higher vacancies and stagnant rental rates. Recently, since large corporations can set up entities to take advantage of historic tax credits, this area has created activity. The typical transaction involves the corporation's becoming a limited partner in a general partnership that owns the property in exchange for being able to use credits against taxes owed for corporate profits. The partnership is structured to allow the corporation to receive 99 percent of the tax credits and depreciation allowances generated by the project, but otherwise the corporation has no management responsibility. Profits from the operation or sale of the property also may be distributed to the limited partner.

In additional efforts to revitalize West Main Street, the city of Louisville helped create the "Cultural District" in the 600 through 800 blocks of West Main Street with extensive physical improvements. Two floors of 734 West Main Street were acquired by the Louisville Opera in the Spring of 1993 and renovated for use as its office, and 700 West Main has been developed into offices and luxury apartments.

The relocation of The Hillerich & Bradsby Company, makers of the Louisville Slugger baseball bat and other sporting equipment, to Louisville from Jeffersonville, Indiana was a major boost for the subject's immediate area. A bat factory, corporate headquarters and bat museum are located in new and renovated property at the southwest corner of Eighth and Main Streets, along with a new parking garage. The museum opened in July 1996 and has been very successful. Frazier Historical Arms Museum was recently opened at the northeast corner of Ninth and West Main Streets. This was an old 3-story building recently totally converted and renovated as the museum and special event venue.

The Harbison condominium, a 22-unit market rate development is one of the first adaptive re-use projects in the district, sold out between July 1995 and April 1998. The 22 units ranged in sale price from \$50,000 for studio units and \$216,823 for larger penthouse units. There have been eight re-sales of these condominiums in 1999 and 2000 with an average of 6.5 percent market appreciation.

Vencor, a Louisville-based hospital management firm with over 750 local corporate employees, are having financial difficulties due to debt accumulation from the acquisitions and changes in Medicare reimbursement laws and cancelled their 23-story headquarters on what was the site of the Kingfish Restaurant at River Road between 6th and 7th Streets. Vencor's employees are currently located in approximately eight CBD buildings, including the Fifth Avenue Building, the Aegon Center and the National City Tower. The City of Louisville purchased the site for the Ali Center which recently opened to the public and is considered and major national draw for the community.

The Glassworks II, former River City Corrections Center, was sold to William Weyland Glasswork, LLC II a major investor in the subject development. Mr. Weyland and his partners developed a major mixed-use development on this site, that was rezoned C-3, which allows the more dense development and the lack of parking requirements. The development has commercial condominiums on the first and second floors and residential condominiums on the third, fourth and fifth floors. All units were sold off within three months. The units range in size from 745 to 2,200 square feet and prices ranged from \$97,700 to \$302,710 per unit. The adjacent Interchange Building and site were brought into the development plan and all the improvements except the Interchange Building were razed and the site was improved for parking. This garage is connecting to the 214 South Market Street building. Glassworks I Lofts, at 815 W. Market

Street was developed in 2001, with all rental units, using historical tax credits. The loft type units cannot be sold as condominiums until after 2007, according to Robb Gwaltney at City Properties Group. All the rental units were leased prior to construction. The 800 West Market building was to be razed, but was recently renovated for commercial use. Eventually it will have two additional stories added. Mr. Weyland and his partners have purchase the sites between 8th and 9th Streets south to Liberty Street. The Kentucky Home Life Building, at 820 W. Jefferson Street will not start construction until 2006 to 2007. The proposed construction will include 27 residential condominiums, 54 market rate rental units, 22,500 square feet of office space and 7,500 square feet of retail space. When complete, the proposed mixed-use development will include a hotel, office, retail and residential units.

Waterfront District

The Waterfront District is located on the north side of Main at the eastern end of the CBD. The Louisville Waterfront Master Plan which was completed by Hargreaves Associates, a San Francisco based consultant, was approved in July 1991 by The Waterfront Development Corporation. The master plan costs is estimated at $117 million after considering both inflation and land acquisition costs, is expected to be completed in three phases. Phase I, which reportedly cost $68.5 million, was opened July 5, 1999. This phase, which is referred to as Waterfront Park, focused on the Great Lawn, a fourteen-acre green space between the Clark Memorial and Kennedy Bridges. Waterfront Park has received over one million visitors in each of the last two years, making it the most popular park in the metro area. The second and third phases will extend the "linear park" along the riverfront, and are to contain multi-use projects including residential, commercial, and office developments. Construction of Phase 2 is currently underway. The pedestrian traffic generated by the park is considered paramount in supporting a downtown residential community. Phase 2 will encompass roughly thirty acres and feature a 2,000-seat amphitheater, a 3.2-acre playground, and a boathouse with docks, a cafe with an overlook, open green spaces, and about 150 parking spaces. This phase will also include a prominent cornerstone of the master plan the walking path over the Big Four Bridge. This walking path will consist of a spiral berm approach to the bridge on the Louisville side of the Ohio River with a new deck and railings forming both a walking path and a bicycle route over the bridge and into Jeffersonville. Plans for the Jeffersonville connection in Indiana have not been finalized, but will probably include an elevator and a stair system similar to the Belvedere connector at the Galt House. The conversion of the Big Four Bridge will be the last portion of Phase 2 to be completed, as the bridge has not yet been acquired. There are also preliminary plans for a water taxi that would circulate between, the Phase I harbor, the municipal boat harbor at Phase 2, King Fish restaurant near Zorn Avenue, and the Buckhead Grill on the Jeffersonville waterfront. The estimated budget for this phase is $27 million, with the bridge renovation accounting for $12 million of the total. The newly constructed Tumbleweed Restaurant is located at 1201 River Road. The site is part of the Waterfront Redevelopment Corporation redevelopment of the Ohio River frontage.

The second and third phases are to contain a multi-use development complex that is to include office development, and property has been acquired for the first stage of infrastructure improvements in the district. The Louisville River Bats, a triple "A" Cincinnati Reds minor league baseball team opened in their new facility, Slugger Field, located on the north side of Main Street between Jackson and Preston Streets in May of 2000, even though the stadium was not complete to begin Phase 2.

The park, was named Slugger Field after the renowned Louisville Slugger bat manufactured by the Hillerich & Bradsby Company. The architectural appeal of the park is reportedly modeled after Camden Yards in Baltimore, Maryland, which is the home field of the Orioles. This baseball park has been widely acclaimed for its incorporation of historically significant buildings into the main entrance, and it is considered by many to be the most aesthetically pleasing baseball park in the major leagues. The main entrance to Slugger Field incorporated the shell of the Brinly-Hardy train station, an historic building dating back to the late 1800s, to capture the ambiance associated with Camden Yards. The train station entryway encompasses 22,000 square feet, and houses several retail and concession uses associated with the River Bats baseball team. In the first year, all 30-luxury boxes were sold. Of the 72 home games, all the weekend games were sold-out, but lesser success for the home weekday games. Overall, the project appears to be a success.

The completion of the park provided a catalyst for additional development in the district, including residential and commercial retail uses. Also, in excess of 1,000,000 square feet of office space has already been renovated in this district, most of which houses Humana employees.

A 22-story residential development to be named Waterfront Park Place is currently under construction adjacent to Waterfront Park and Slugger Field. The building will contain an estimated 110 units, with at least 86 being condominiums. Condominiums will generally range from $225,000 to $700,000, although penthouse units, with an average of 6,500 square feet, will be priced over $1,000,000. It is possible that the remaining 24 units could be apartments, with rents of at least $1.20 per square foot, although condominium ownership appears much more likely at this time. The developers have secured at least 21 purchase deposits, with roughly 150 other people expressing interest. The city also has long-term plans for utilizing warehouse buildings, which were acquired with the land for Slugger Field, for market rate condominiums and apartments. However, no plan has been made public to date. Also, over 1,000,000 square feet of Class B office space has been renovated in this district, most of which houses Humana Corporation back-office operations.

Preston Point is a mixed-use building across from Slugger Field on Main Street. The building will reportedly encompass approximately 85,000 total square feet, with a construction budget of approximately $10 million, or $125 per square foot. The eight-story building has office space on the first six floors, while the top two floors are divided into four townhouse condominiums with between 2,250 and 2,950 square feet each. The project is reported to be 100 percent occupied.

The Carlysle, a 16-unit apartment building dating back to 1914, completed renovation in early 2000. The units range in size from 900 to 2,000 square feet with average rents of $600 monthly. The property is located on Brook and Main Streets and the owners added eight units to the lower level of the building, which had been occupied by a catering company. This provides further evidence that demand for market rate housing in downtown is increasing.

The City of Louisville has begun their plan to develop market rate housing along East Main Street, which is the boundary between the Waterfront District and the East Main/Market Street District. The plan includes $3.0 million of city money and $2.6 million in private funds that will be combined to create a low-interest loan pool that housing developers can utilize for downtown projects.

East Main Street/Market Street District

This district has historically experienced generally lower property values than the five other districts, new developments in both the Core District and the Medical District are exerting upward pressure on the East Main/Market District property values. Most importantly, as previously discussed in the Waterfront District discussion, several sites in the district have recently been targeted by city officials for renovation and residential development. These sites include both vacant land to be utilized in new construction and warehouse properties to be renovated for apartments.

Due to the expansion of the Commonwealth Convention Center into the block between Jefferson and Market Streets on the west side of South Second Street, as well as the northern and westward expansions of the medical district is the source of the pressure on this district. The benefits of the convention center expansion included increases in demand for both entertainment locations nearby and convenient parking. The convention center development forced major infrastructure changes including the widening of Second Street from Main Street south to Broadway.

The C-2 commercial zoning classification, which covers the portion of this district east of Second Street, has the effect of reducing development densities and permitting a more human scale appealing for in-town residential use.

Medical Center District

This district encompasses all of the hospitals in the CBD including Norton's, Methodist, Jewish, Kosair Children's and Humana Hospital University, Frazier Rehabilitation Center, and Brown Cancer Center. The University of Louisville medical, dental and nursing schools are also located in this area along with many doctors' office buildings and other medical services.

This area has been the medical center for the CBD for over one hundred years. The medical office buildings within this district are fully occupied, including the addition of a large office building on Gray Street to accommodate expanding services. Construction of new facilities in the Medical Center District also includes the expansion of Frazier Rehabilitation Center and Jewish Hospital, the renovation and added new construction to the old General Hospital into luxury doctors' offices, and the doubling in size of the Jewish Hospital parking garage. Scarcity of available land for development is being compensated for by several recent expansions through medical acquisitions in the East Main/Market District.

Located within this district are five of the largest acute-care hospitals in the region, ancillary medical service facilities, doctors offices and clinics, medical and dental school facilities, and offices of various medical associations. The primary health care operations in this district include Jewish Hospital, Alliant Health Care Systems, University of Louisville Hospital and medical/dental schools, Frazier Rehabilitation Center, and the Brown Cancer Center.

A recent report by a governmental planning agency listed the current employment within the medical center district at approximately 22,000, which is expected to increase by approximately 25 percent over the upcoming two decades. The medical center's current employment accounts for one in six jobs in the CBD and is expected to be a primary growth industry in the future. This high employment growth is widely considered to be the principal demographic trend supporting the long-term viability of downtown housing.

The Louisville Medical Center Development Corporation (LMCDC), a non-profit consortium of hospitals located in the Medical District, has recently been productively moving towards the development of a medical business park in Downtown Louisville. The 1044 East Chestnut Street, which anchors by Med-Venture Corporation, an incubator for start-up medical companies is now in operation. The three primary organizations which operate the five hospitals and the medical schools in the medical center are Jewish Hospital Health Care, Alliant Health System, and the University of Louisville. These primary not-for-profit health care companies have been acquiring and expanding onto lands adjacent to their existing facilities.

Jewish Hospital has acquired several properties to its north and west, including several on the opposite side of the expressway, for purposes of building new and expanded facilities, parking garages, a heliport, medical offices, and a subsidiary operates a motel which caters to patients, staff and visitors of the medical center. Jewish Hospital's acquisitions are a continuation of the westward path of expansion which that organization has been pursuing over recent years.

Alliant has primarily expanded to the south, along and south of Broadway including a parking garage, office building, and service/supply buildings. The University of Louisville (formerly operated by Columbia/HCA Hospitals) has expanded onto sites directly adjacent to its hospital. U of L has acquired adjacent land for purposes of constructing a multi-level parking garage and, in conjunction with Jewish and Alliant, is planning a 128,000 square foot medical research center at the corner of Chestnut and Preston Streets. Alliant is currently constructing a building on Gray Street which is contiguous to the Norton Hospital and will eventually involve seventeen stories. It is reported that the first two stories will house hospital facilities, the next six stories will be for parking, and nine stories will be built in the future to house medical offices.

Alliant's acquisitions along the north side of the 200 block of Broadway are composed of lots having from 50 to 100 feet of frontage and contain older, two-story office buildings and an older auto service center building. Although Alliant currently utilizes the two office buildings, those low-density uses do not conform to the higher density of development which is taking place within the immediately adjacent medical center.

Broadway District

This Broadway District lies roughly between Chestnut and York Streets, South Fifth Street and I-65. The Fourth Avenue corridor was closed to automobile traffic in the early 1970s in an effort to create a shopping mall. However, this action stifled nearly all-commercial activity on Fourth Avenue. The street was re-opened several years ago, for exclusive use by the city-owned free trolley, which has been partially successful in connecting the north end of the CBD with the southern end for pedestrians. The section of Fourth Avenue between Broadway and Chestnut was reopened to traffic, which has helped the merchants along this avenue.

In the mid 1980s, the Broadway Renaissance Project was undertaken. This development included the development of Theater Square, the construction of Crescent Centre and the renovation of the Brown Hotel and adjacent office building. Theater Square contains three one-story retail buildings which were constructed in the mid-1980s. Although a few of the storefronts were leased at the outset, the project was slow to prosper. The properties are now 100 percent occupied with restaurants.

The Crescent Centre is a housing development on Third Street which includes both apartments and condominiums, as well as 30,000 square feet of first floor retail space. The complex has 209 apartments which are mostly up-scale. The property was constructed in 1989 by Caldwell American Investments at a total cost of $24.5 million. The property went through foreclosure in 1990 and was sold to Manufacturers Hanover at a court ordered auction for $10.5 million. Based on the public comments of those involved in the transaction, the apartment portion of the complex was successful. However, the retail space went almost completely unfilled, which ultimately led to the foreclosure. The property was again auctioned in 1992 when Manufacturers Hanover merged with Chemical Bank. With most of the retail space still empty, the property sold to Brothers Properties of Miami for $7.2 million, or $34,500 per unit. Today, occupancy remains stable, and the majority of the retail space has been filled over the last three years. The apartments in the complex have been fairly successful since the outset with historical average occupancy of 90 percent to 95 percent. The Crescent Centre condominiums included in the original development, but held in separate ownership from the apartments and retail space, have had a relatively successful sales history. The 22 units were absorbed between 1990 to 1991, and numerous second and third generation transactions have occurred since, with most indicating property appreciation which confirms the market's acceptance of these type properties in the CBD. These are two bedroom town homes, approximately 1,820 squire feet and sale prices ranged from $103,000 to $169,000.

This district includes the One Commonwealth Place property recently purchased by Vencor for its corporate headquarters as previously discussed. The move by Vencor is expected to bolster the revitalization of this district as it will eventually bring all of Vencor's over 750 local corporate employees to the south side of the CBD. This move is a positive development for the CBD because it ensures Louisville's retention of a major employer.

At the northwest corner of Third and Chestnut, the Louisville Water Company completed construction of its 75,000 square foot headquarters housing approximately 180 employees, which will help stimulate retail development in the area.

The 800 Building at Fourth and York Streets was Louisville's first skyscraper and was constructed in 1963. The 29-story structure houses 247 luxury apartments rented at market rates and is currently undergoing a comprehensive renovation. The property was purchased in May 1997 for $3.95 million by WRP Partnership and American Invsco. There were reportedly approximately 100 vacancies at the time of sale. Occupancy is now reported to be at 98 percent, although this apparently excludes the units being renovated.

West Downtown District

The West Downtown District contains most of the governmental offices in the CBD, including City Hall, the Jefferson County Courthouse, the Hall of Justice, Louisville Police Headquarters, and various buildings occupied solely by civil entities at the northern end of this district. This district is located between Ninth Street and Armory Place. BellSouth is in the center of the district, WHAS TV is further south, the United Mercantile Building and Federal Garage are southwest, and the Gene Snyder U.S. Courthouse and Customs House is on the southern border. The Jefferson State Vocational School is at Seventh and Chestnut Streets, and AT&T is at Sixth and Chestnut behind BellSouth. Also in this district is the newly converted $14 million jail complex at Sixth and Liberty Streets.

Including the Louisville Housing Authority Headquarters at 420 South Eighth Street, there are approximately 600 subsidized apartment units (mostly elderly) located on the west flank of this district. This mostly elderly subsidized housing provides a buffer to the several public housing projects west of Roy Wilkins Parkway.

Summary of CBD Districts

There is a set of influences operating in each of the various districts of the CBD. Regardless of the shift of the forces of growth and development to the eastern suburbs of the MSA, the CBD continues to provide a strong commercial market, especially for financial and governmental users. The CBD continues to be the financial center of the region and is the focus of tourism and the convention industry. Recent successes of the Hillerich & Bradsby Museum, Slugger Field and the expansion of the convention center have accelerated business and development in those sectors of the market. As evidenced, the office and residential condominium market is increasing and is still in its medium range start-up with the first complex of any large size developed in 2000. This has been a very stable product in the Louisville CBD market in recent years and has had great success.

Figure 30 is a summary of the different office classes in the CBD market.

Figure 30

Office Space Summary

Total leasable (net) space in 90 separate buildings (1)	9,284,335
Available leasable space (1)	1,824,268
2006 vacancy rate	19.6%
Owner-occupied space in 59 separate buildings	2,089,267
Total existing CBD general office space (2)	12,953,169 Sq.ft.

Class A Office Space

Total leasable space in 10 separate buildings	3,527,363
Available leasable space	353,348
Vacancy rate	10.0%
Rental range (4)	$16.50 - $25.00

Class HR-A(3) Office Space

Total leasable space in 5 separate buildings	1,343,871
Available leasable space	361,667
Vacancy rate	26.9%
Rental range (4)	$13.50 - $15.00

Class B Office Space

Total leasable space in 25 separate buildings	2,198,380
Available leasable space	584,588
Vacancy rate	26.6%
Rental range (4)	$7.50 - $19.00

Class HR-B(3) Office Space

Total leasable space in 44 separate buildings	2,120,271
Available leasable space	507,429
Vacancy rate	23.9%
Rental range (4)	$7.00 - $18.50

Class C Office Space

Total leasable space in 6 separate buildings	94,450
Available leasable space	17,236
Vacancy rate	18.2%
Rental range (4)	$6.00 - $10.00

Medical Office Buildings

Total leasable space in 11 separate buildings	861,686	
Available leasable space	10	,00
Vacancy rate	1.2	
Rental range	$8.00 - $14.00	

(1) Based on Commercial Kentucky, Inc. criteria for active market properties.
(2) Includes additional leasable buildings not in Commercial Kentucky, Inc inventory, office condominiums, office suites, owner-occupied buildings and medical office buildings.
(3) HR - Historic renovation
(4) Rental range based on quoted rate for buildings with available space.

Office/Office Condominium Market

The CBD office condominium market is stable in 2006. This has been a very stable product in the Louisville, Kentucky, market and has had great success. The Kentucky Towers, and three "City Properties" projects have sold 36 office condominiums with 116 available, this is a mean of 3 units per month. In the Southern Indiana market there have been approximately 78 units constructed with 62 sold or rented. This is an average of 1.1 units sold per month for all complexes. Figure 31 shows the entire CBD office market, including absorption, inventory, new space and current occupancy for the last 10 years. Figure 31A shows the Class A space with the same or similar information.

Figure 31

LOUISVILLE CBD OFFICE SPACE ABSORP'

Year	Total Space(1)	New Space(2)	Vacant	Occupied	Absorption	Average Vacancy
1983	5,423,015		813,134	4,609,881		15.0%
1984	5,719,309	296,294	793,433	4,925,876	315,995	13.9%
1985	5,807,147	87,838	722,482	5,084,665	158,789	12.4%
1986	5,995,883	188,736	702,323	5,293,560	208,895(3)	11.7%
1987	6,360,629	364,746	803,070	5,557,559	263,999	12.6%
1988	6,567,388	206,759	727,433	5,839,955	282,396	11.1%
1989	6,910,521	343,133	865,531	6,044,990	205,035(4)	12.5%
1990	6,890,859	-19,662	812,608	6,078,251	33,261	11.8%
1991	7,630,355	739,496	1,443,382	6,186,973	108,722	18.9%
1992	8,352,825	722,470	2,121,771	6,231,054	44,081	25.4%
1993	9,395,466	1,042,641(5)	2,307,452	7,088,014	856,960	24.6%
1994	9,245,443	-150,023(6)	1,804,591	7,440,852	352,838	19.5%
1995	9,522,799	277,356(7)	2,064,563	7,458,236	17,384	21.7%
1996	9,523,339	540	1,886,065	7,637,274	179,038	19.8%
1997	9,348,218	-175,121(8)	1,554,940	7,793,278	156,004	16.6%
1998	9,330,288	-17,930	1,517,822	7,812,466	19,188	16.3%
1999	9,083,555	-246,733(9)	1,318,292	7,765,263	-47,203	14.5%
2000	9,118,623	35,068	1,443,939	7,674,684	-90,579	15.8%
2001	8,956,156	-162,467	1,416,677	7,539,479	-135,205	15.8%
2002	9,131,612	175,456	1,847,176	7,284,436	-255,043	20.2%
2003	9,066,951	-64,661	1,928,390	7,138,561	-145,875	21.2%
2004	9,124,390	57,439	1,955,893	7,168,497	29,936	21.4%
2005	9,330,058	205,668	1,865,495	7,464,563	296,066	20.0%
2006	9,284,335	-45,723	1,824,268	7,460,067	-4,496	19.6%
Ten Year Average		**-23,900**			**-17,721**	

Source: Analysis by Louisville Central Area, Inc., using data obtained from Commercial Kentucky, Inc.; inventory based on Commercial Kentucky, Inc. definitions of market characteristics. A complete list of buildings from which this table is derived is available from LCA on request.

(1) Inventory includes BOMA classes A, B and C, as well as LCA defined "Historic Rehab" buildings (HR-A, HR-B). Additional leasable buildings not in Commercial Kentucky, Inc. inventory, office condominiums, office suites, owner-occupied buildings and single purpose medical office buildings NOT included.

(2) "New Space" defined as net addition to leasable inventory, including changes of use as well as new construction/rehabilitation and demolition.

(3) Although the Humana Building initially contained leasable office space as published in previous data, the facility was not included in absorption calculations for the purposes of strict consistency. The building achieved 100% occupancy by owner in just a short time, thus changing the building status to "owner-occupied".

(4) Special note should be taken of transactions involving J.J.B. Hilliard, W.L. Lyons, Inc. In 1988 company relocated within CBD from proprietary headquarters (Madrid Building, 45,900 sq. ft.) to newly renovated "Hilliard Lyons Center". Both Madrid Building and Hilliard Lyons Center (177,000 sq. ft.) appears as "New Space"; the company expanded to occupy 135,000 sq. ft. at Hilliard Lyons Center.

(5) Humana Building (406,157 sq. ft.) and Waterside Building (655,000 sq. ft.), formerly listed as owner-occupied, have been added to leasable inventory and appears as "New Space".

(6) Riverview Square (109,000 sq.ft.) formerly listed as leasable, has been added to owner-occupied inventory.

(7) Riverview Square has been added to the leasable inventory.

(8) Riverview Square has been moved to the owner-occupied inventory.

(9) Total square footage reported for Waterfront Plaza has been revised from 1,000,000 sq.ft. to 791,830 sq.ft.

Figure 31A

Louisville CBD Class B & C Office Space Absorption

Year	Total Space(1)	New Space(2)	Vacant	Occupied	Absorption	Average Vacancy
1983	3,255,908		485,983	2,769,925		14.9%
1984	3,552,202	296,294	486,333	3,065,869	295,944	13.7%
1985	3,640,040	87,838	516,982	3,123,058	57,189	14.2%
1986	3,828,776	188,736	567,959	3,260,817	137,759	14.8%
1987	4,178,506	349,730	656,866	3,521,640	260,823	15.7%
1988	4,385,265	206,759	597,509	3,787,756	266,116	13.6%
1989	4,448,526	63,261	705,261	3,743,265	-44,491(3)	15.9%
1990	4,428,864	-19,662	643,309	3,785,555	42,290	14.5%
1991	5,059,360	630,496	1,283,634	3,775,726	-9,829	25.4%
1992	5,148,180	88,820	1,663,367	3,484,813	-290,913	32.3%
1993	5,719,664	571,484(4)	1,743,652	3,976,012	491,199	30.5%
1994	5,678,641	-41,023	1,405,783	4,272,858	296,846	24.8%
1995	5,847,486	168,845	1,566,849	4,280,637	7,779	26.8%
1996	5,847,486	0	1,556,607	4,290,879	10,242	26.6%
1997	5,780,876	-66,610	1,441,578	4,339,298	48,419	24.9%
1998	5,827,946	47,070	1,402,200	4,425,746	86,448	24.1%
1999	5,581,213	-246,733(5)	1,123,326	4,457,887	32,141	20.1%
2000	5,616,281	35,068	1,213,427	4,402,854	-55,033	21.6%

2001	5,448,531	-167,750	1,172,655	4,275,876	-126,978	21.5%
2002	5,591,945	143,414	1,467,750	4,124,195	-151,681	26.2%
2003	5,527,284	-64,661	1,536,257	3,991,027	-133,168	27.7%
2004	5,588,723	61,439	1,544,017	4,044,706	53,679	27.6%
2005	5,802,695	213,972	1,510,525	4,292,170	247,464	26.0%
2006	5,756,972	-45,723	1,470,920	4,286,052	-6,118	25.6%
Ten Year Average		**-9,051**			**-483**	

Source: Analysis by Louisville Central Area, Inc., using data obtained from Commercial Kentucky, Inc.; inventory based on Grubb & Ellis/Commercial Kentucky, Inc. definitions of market characteristics. A complete list of buildings from which this table is derived is available from LCA on request.

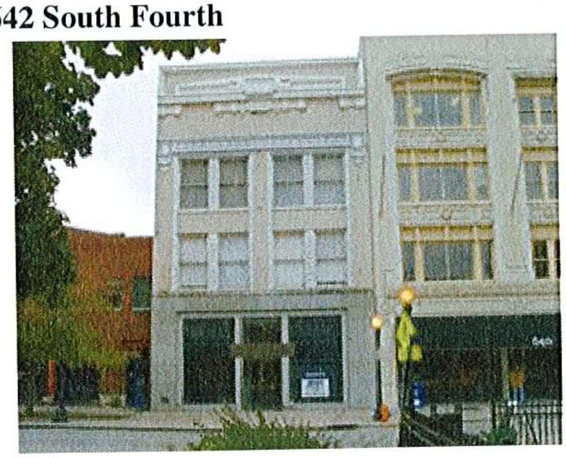
(1) Inventory includes BOMA classes B and C, as well as LCA defined "Historic Rehab" buildings (HR-A, HR-B). Additional leasable buildings not in Commercial Kentucky, Inc. inventory, office condominiums, office suites, owner-occupied buildings and single purpose medical office buildings NOT included.
(2) "New Space" defined as net addition to leasable inventory, including changes of use as well as new construction/rehabilitation and demolition.
(3) Special note should be taken of transactions involving J.J.B. Hilliard, W.L. Lyons, Inc. In 1988 company relocated within CBD from proprietary headquarters (Madrid Building, 45,900 sq. ft.) to newly renovated "Hilliard Lyons Center". Both Madrid Building and Hilliard Lyons Center (177,000 sq. ft.) appears as "New Space"; the company expanded to occupy 135,000 sq. ft. at Hilliard Lyons Center.
(4) Waterside Building (655,000 sq. ft.), formerly listed as owner-occupied has been added to leasable inventory and appears as "New Space".
(5) Total square footage reported for Waterfront Plaza has been revised from 1,000,000 sq.ft. to 791,830 sq.ft.

620 Building

Building name:	**620 Building**
Property address:	620 S. Fourth St.
Contact:	John Rulketter
Company:	Hoagland Commercial Realtors
Phone:	502-897-3310
Year built:	1910
No. of floors:	6
Class:	HR-B
Total office space:	65,728 sf
Available space:	11,000 sf
Vacancy rate:	16.7%
Floor plate:	8,300-16,400 sf
Rental rate range:	$8.00-$8.00

Date Last Verified: 12/2006

642 South Fourth



Building name:	**642 South Fourth**
Property address:	642 S. Fourth St.
Contact:	Rick Ashton/Jeff Dreher
Company:	Commercial Kentucky, Inc.
Phone:	502-589-5150
Year built:	1912
No. of floors:	4
Class:	HR-B
Total office space:	16,912 sf
Available space:	4,000 sf
Vacancy rate:	23.7%
Floor plate:	5,475-5,475 sf
Rental rate range:	$12.00-$12.00

Date Last Verified: 12/2006

Aegon Building

Building name:	**Aegon Center**
Property address:	400 W. Market St.
Contact:	Chris Cieminski
Company:	Hines Interests Ltd. Partnership
Phone:	502-585-4200
Year built:	1993
No. of floors:	35
Class:	A
Total office space:	633,650 sf
Available space:	25,610 sf
Vacancy rate:	4.0%
Floor plate:	14,800-20,800 sf
Rental rate range:	$17.00-$17.00

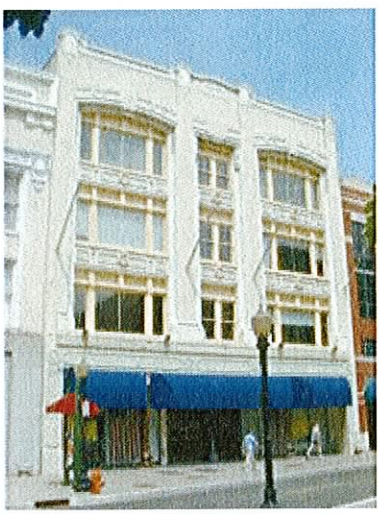
Date Last Verified: 12/2006

Bandy Carroll Hellige Building

Building name:	**Bandy Carroll Hellige Building**
Property address:	307-311 W. Muhammad Ali Blvd.
Contact:	Tim Hellige
Company:	Bandy Carroll Hellige
Phone:	502-589-7711
Year built:	1910
No. of floors:	3
Class:	HR-B
Total office space:	31,832 sf
Available space:	17,760 sf
Vacancy rate:	55.8%
Floor plate:	4,000-6,000 sf
Rental rate range:	$13.50-$13.50
Sale price:	$975,000

Date Last Verified: 12/2006

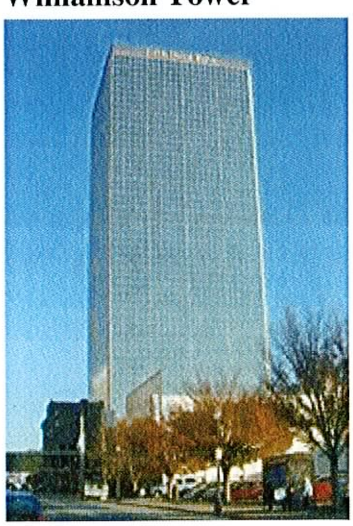
BisigImpact Centre



Building name:	**BisigImpact Centre**
Property address:	640 S. Fourth St.
Contact:	E.P. Scherer
Company:	Commercial Kentucky, Inc.
Phone:	502-589-5150
Year built:	1915
No. of floors:	4
Class:	HR-B
Total office space:	26,980 sf
Available space:	1,000 sf
Vacancy rate:	3.7%
Floor plate:	5,300-7,600 sf
Rental rate range:	$9.50-$14.00

Date Last Verified: 12/2006

Brown & Williamson Tower



Building name:	**Brown & Williamson Tower**
Property address:	401 S. Fourth St.
Contact:	Phil Scherer
Company:	Commercial Kentucky, Inc.
Phone:	502-589-5150
Year built:	1982
No. of floors:	26
Class:	A
Total office space:	326,000 sf
Available space:	99,255 sf
Vacancy rate:	30.4%
Floor plate:	12,300-14,341 sf
Rental rate range:	$18.00-$20.00

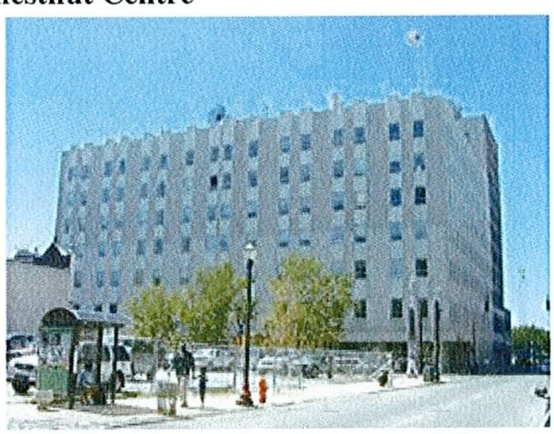
Date Last Verified: 12/2006

Brown Office Building

Building name:	**Brown Office Building**
Property address:	323 W. Broadway
Contact:	John Rulketter
Company:	Hoagland Commercial Realtors
Phone:	502-897-3310
Year built:	1925
No. of floors:	10
Class:	HR-B
Total office space:	55,437 sf
Available space:	37,200 sf
Vacancy rate:	67.1%
Floor plate:	6,000-6,600 sf
Rental rate range:	$10.50-$10.50

Date Last Verified: 12/2006

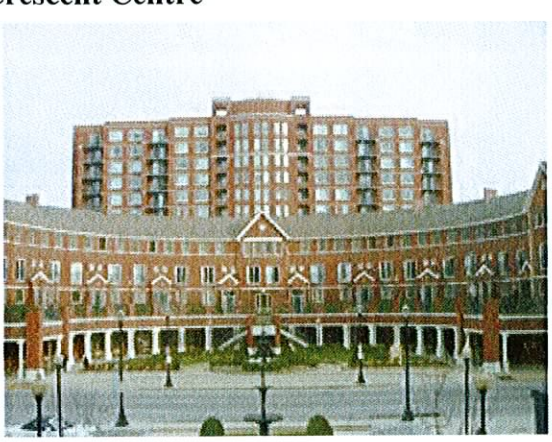
Chestnut Centre



Building name:	**Chestnut Centre**
Property address:	410 W. Chestnut St.
Contact:	Steve Fox
Company:	FBM Properties
Phone:	502-589-5383
Year built:	1907
No. of floors:	11
Class:	HR-B
Total office space:	155.000 sf
Available space:	3,616 sf
Vacancy rate:	2.3%
Floor plate:	250-16,000 sf
Rental rate range:	$9.00-$9.50

Date Last Verified: 12/2006

Crescent Centre



Building name:	**Crescent Centre**
Property address:	657 S. Third St.
Contact:	Patrick Richardson
Company:	Harry K. Moore Co.
Phone:	502-426-1300
Year built:	1989
No. of floors:	1
Class:	B
Total office space:	21,445 sf
Available space:	11,329 sf
Vacancy rate:	52.8%
Floor plate:	11,600 sf
Rental rate range:	$12.00-$14.00

Date Last Verified: 12/2006

Executive Centers at Kentucky Towers

Building name:	Executive Centers

Residential development in downtown has recently been given greater emphasis by local officials, with approximately $5.6 million appropriated for low interest loans to developers. The initial focal point will apparently be in the Waterfront District in order to develop synergies with Waterfront Park and Slugger Field. However, the West Main and Broadway Districts are also to be considered for similar residential development.

As of November 2006, here are nine adaptive re-use residential condominium projects underway in the CBD, according to Louisville Central Area, Inc. (City of Louisville) are the following:

- 626 East Main Project, at 626 East Main Street, has 28,700 square feet, 4-condominiums and garage parking.
- Belknap Garage, at 110 W. Main Street, with three stories and 30,900 square feet is an adaptive re-use building with retail space on the first floor and three residential condominiums on the second and third floors.
- East Street Lofts at 325-327 E. Market Street is three story with 17,600 square feet. There are six condominiums and 5,500 square feet of retail space. The units range in size from 1,166 to 1,833 square feet. Sale prices range from $198,900 to $312,950. All units have been sold, where four sold in 2-months.
- Mercantile Gallery Lofts at 301 E. Market Street is under construction and has had five presales within the past three weeks, according to Olivia Fangman with Cobalt Ventures. The building was built in 1872, 1899 and 1939. The total square feet is 78,200. There will be 47 condominiums ranging in size from 696 square feet to 1,818 square feet and 8,300 square feet retail space. Five units have pre-sold. Sale prices and asking prices range from $179,000 to $399,000. Completion is estimated this summer.
- The Old YWCA building, at Third and Chestnut, is being renovated as Off-Broadway Lofts, with 56 rental units and 14 residential Loft type condominiums. According Bill Weyland with City Properties Group, there has been no presales yet since there has been no marketing efforts. The rental rates are from $350 per month to $900 and the condominiums will be listed for $100,000 to $250,000.
- Soho Condominiums at 900 S, Fifth Street is in Phase I with 30 units. Ten units have sold in 2006 prior to construction. This project is new construction with 45 proposed parking spaces and 4,000 square feet of retail space.
- RiverPark Place Phase I, at River Road and Frankfort Avenue, will have 210 rental units and 140 residential condominiums on 25 acres of land. Completion is estimated late 2006 or early 2007. The sales price are estimated to be from $150,000 to $1,000,000. The development will have restaurants, shops, marina and parks.
- Fleur-de-Lis Condominiums, at 340 E. Main Street, will have 74 condominiums and 200-space parking garage. The estimated sale prices will range from $200,000 to $360,000.